

## **Exhibit 2B Reserve Study**

### **Item 1:**

Provide a general description of the actuarial methodologies used to determine and monitor carried loss and loss adjustment expense reserves for the medical malpractice business written, including frequency of reviews.

### **Response to Item 1:**

Loss and loss adjustment expense reserves for medical malpractice are reviewed on a quarterly basis by the company's chief actuary who is qualified actuary (FCAS, MAAA). Loss and allocated loss adjustment expense reserves are reviewed by state and line of coverage, producing 20 different reserve categories. An example of a reserve category is Illinois – Claims Made. Within each reserve category, indemnity losses are analyzed on a gross and capped basis (e.g. \$500,000, \$1,000,000) to facilitate analysis of severity trend and application of reinsurance terms. Various methods are used to project ultimate losses at these levels, including paid and reported development, Bornhuetter-Ferguson, and counts time severity. Other methods may be employed to adjust for operational and environmental effects, such as the Berquist-Sherman method that adjusts for case reserve strengthening. Ultimate losses and ALAE are selected based on inspection of the method estimates and evaluated for reasonableness using measures of severity, frequency, and historical reserve development. Unallocated loss adjustment expense (ULAE) reserves are also reviewed quarterly by line of coverage (claims made vs. occurrence) and projected based on the traditional paid ULAE to paid loss method.

### **Item 2:**

Discuss the adequacy of medical malpractice loss and loss adjustment expense reserves as of the most recent year-end and identify and describe any material changes in the past five years in amounts of carried reserves and in reserving methods. If a material unfavorable trend exists, indicate what actions were taken to address the issue. Identify the materiality standard used to respond to this question and provide the basis for this standard.

### **Response to Item 2:**

Discussion of adequacy of loss and loss adjustment expense reserves as of December 31, 2007: The company records reserves for medical malpractice loss and loss adjustment reserves based on management's review and discussion of the internal actuarial analysis as described above. In its selection of a "best estimate," management considers not only the quantitative indications but also current pricing and underwriting initiatives, an evaluation of reinsurance costs and retention levels, the claims reserving practices and philosophy, and other operational and environmental effects on reserves.

As required by insurance regulatory authorities, we receive an annual statement of opinion by an independent consulting actuary concerning the adequacy of our reserves. As of December 31, 2007, the opining actuary stated that our reserves made a reasonable provision for all unpaid losses and loss adjustment expenses under the terms of American

Physicians' contracts and agreements. Further, based on the materiality standard set by the opining actuary, the opining actuary states that the potential risks and uncertainties that could bear on American Physicians' reserve development would not reasonably be expected to contribute to material adverse deviation of American Physicians' carried loss and loss adjustment expense reserves. For more information regarding the opining actuary's conclusions, please see the 2007 Statement of Actuarial Opinion for American Physicians Assurance Corporation.

Material changes in the past five years in amounts of carried reserves: The following table shows the change in loss and loss adjustment expense reserves for American Physicians over the past five years:

Year Ended December 31	Net Loss and Loss Adjustment Expense Reserves	% Change in Reserves from Prior Year
2007	518,739,921	-3.6%
2006	538,388,950	2.1%
2005	527,293,238	1.4%
2004	519,997,506	4.7%
2003	496,841,055	

There have been no material changes in loss and loss adjustment expense reserves since 2002. We deemed any change greater than 5% of reserves to be material.

Material changes in the past five years in reserving methods: There have been no material changes in the company's reserving methods over the past five years.

A note about the volatility of medical malpractice reserves: Due to the long-tailed nature of the medical professional liability line of insurance, changes in the actuarially projected ultimate loss severity can have an even greater impact on the balance of recorded reserves than with most other property and casualty insurance lines. While we believe that our estimate for ultimate projected losses are adequate based on our open and reported claim counts, there can be no assurance that additional significant reserve enhancements will not be necessary in the future given the many variables inherent in such estimates and the extended period of time that it can take for claim patterns to emerge.

### **Item 3:**

Compare company trends to industry trends, with regards to the medical malpractice line of business and include information about the specific business written by the company and, if necessary, reasons why company trends are different from the industry.

### **Response to Item 3:**

Due to the proximity to year end, many industry analyses have yet to be completed using data through December 31, 2007. As a result, we created our own industry benchmark

using Schedule P data from insurers who focus primarily on medical practitioners (physicians, surgeons, other health care professionals). Two companies that write primarily medical practitioners were excluded, MLMIC and PRI, because of their size and influence on the rest of the companies included in the industry group. The selected benchmark is not a commonly accepted or reported benchmark but may be a close proxy to PIAA member companies.

Industry trends are difficult to determine as an appropriate benchmark against American Physicians due to the varying nature of medical professional liability business by state and health care practitioner/facility. Further complicating benchmarking and trend analysis are differences between companies in their underwriting and claims philosophies.

The American Physicians (AP) and benchmark data are pulled from the 2007 Schedule P, Part 1F, Section 2 – Medical Malpractice Claims Made. To avoid differences in reinsurance programs, the measures were calculated on a direct and assumed basis. The tables below show five year and ten year trends for the industry benchmark and AP, as well as a comparison of industry and AP statistics by report year.

Report Year	Frequency Reported Claims per Earned Premium			Ultimate LLAE Ratio Incurred LLAE / Earned Premium		
	Industry	AP	AP vs. Industry	Industry	AP	AP vs. Industry
1998	0.017	0.018	4.7%	114%	112%	-1.7%
1999	0.017	0.020	16.3%	116%	122%	5.1%
2000	0.018	0.021	15.2%	125%	136%	8.8%
2001	0.017	0.022	32.1%	123%	163%	32.0%
2002	0.013	0.016	20.3%	99%	116%	17.7%
2003	0.010	0.012	13.0%	82%	94%	14.6%
2004	0.007	0.008	3.0%	66%	76%	16.8%
2005	0.007	0.006	-3.8%	66%	72%	9.2%
2006	0.006	0.005	-12.0%	70%	64%	-9.0%
2007	0.006	0.006	-0.1%	76%	70%	-7.7%
5 Yr Trend	-0.1%	-0.1%		-0.6%	-5.9%	
10 Yr Trend	-0.2%	-0.2%		-6.9%	-8.4%	

Report Year	Paid LLAE Severity Paid LLAE / Closed Claims			Ultimate LLAE Severity Incurred LLAE / Reported Claims		
	Industry	AP	AP vs. Industry	Industry	AP	AP vs. Industry
1998	65,045	60,605	-6.8%	66,586	62,533	-6.1%
1999	65,891	60,413	-8.3%	68,993	62,323	-9.7%
2000	65,801	61,589	-6.4%	69,373	65,541	-5.5%
2001	69,074	64,423	-6.7%	74,632	74,568	-0.1%
2002	64,767	59,307	-8.4%	73,512	71,922	-2.2%
2003	63,900	50,086	-21.6%	79,240	80,310	1.3%
2004	55,731	45,466	-18.4%	87,381	99,042	13.3%
2005	50,767	34,227	-32.6%	99,915	113,479	13.6%
2006	41,468	25,444	-38.6%	118,404	122,363	3.3%
2007	31,093	15,278	-50.9%	138,282	127,681	-7.7%
5 Yr Trend	na	na		15.2%	12.1%	
10 Yr Trend	na	na		8.0%	9.4%	

Because Schedule P data was used, it is difficult to analyze and investigate differences in trends due to significant operational changes beginning in 2002 and changes in the mix of business by state within AP and the industry. Descriptions of the operational changes can be found in responses to the Surplus Study items. Despite the effects of operational changes, the 5 year and 10 year trends on the various statistics are fairly consistent with each other.

## **Exhibit 2A – Surplus Study**

### **Item 1:**

Provide a general discussion regarding the adequacy of surplus reported on Annual Statement, page 3 (Liabilities, Surplus and Other Funds), line 35, Surplus as regards policyholders, as of the last year-end.

### **Response to Item 1:**

American Physicians' surplus has becoming increasingly adequate over the last five years as indicated by the amounts and ratios in the table below.

	2007	2006	2005	2004	2003
Net loss and LAE reserves	518,739,921	538,388,950	527,293,238	519,997,506	496,841,055
Net written premiums	130,802,344	146,834,977	156,258,752	181,221,529	131,925,799
Capital and surplus	210,790,279	233,933,833	225,685,927	200,080,166	113,295,856
Reserves/Surplus Ratio	2.46	2.30	2.34	2.60	4.39
NWP/Surplus Ratio	0.62	0.63	0.69	0.91	1.16
Total Adjusted Capital/RBC	4.58	5.08	5.05	4.67	2.52

The reasons for the improved surplus adequacy are primarily the result of improved underwriting results, as shown in the table below, offset by shareholder dividends to APCapital to fund holding company initiatives such as share repurchases. The improved underwriting results have been achieved through more disciplined underwriting practices and enhanced claim handling initiatives relative to our medical malpractice line of business. Changes in underwriting and claims handling practices began in 2002. However, we did not really begin to see the benefits until sometime in 2004. In addition, we took double digit rate increases in most markets in 2003, 2004 and 2005, and exited certain poor performing medical malpractice markets, such as Florida, discontinued writing occurrence based policies in select markets and lowered policy limits in virtually all jurisdictions. In late 2003, we also announced our exit from the workers' compensation and health insurance lines of business. The last policies related to these exited lines of business expired on June 30, 2005.

	2007	2006	2005	2004	2003
Underwriting gain or (loss)	41,758,484	18,931,246	3,897,761	(8,341,434)	(74,700,036)
Net income (loss)	63,106,799	52,615,687	44,264,335	26,376,059	(32,199,575)

### **Item 2:**

Identify and describe any material events or known material trends, favorable or unfavorable, in the insurer's surplus account in the past five years. This description should include any significant changes in the surplus ratios shown on Exhibit A. If a material unfavorable trend exists, indicate the courses of remedial actions already taken or that are available to the insurer and the effects or potential effects of each. Identify the materiality standard used to respond to this item and provide the basis for this standard.

**Response to Item 2:**

In addition to the operational changes that have had a positive impact on our underwriting results in recent years, there are two other events that had a material impact on our operating results and surplus in 2003. The first of these was a realignment of various lines of business between American Physicians and its sister companies, Insurance Corporation of America (ICA) and APSpecialty Insurance Corporation (APSpecialty). We refer to the three companies collectively as “the APCapital Group.” This realignment, which was effected through a novation of certain policies and balances, essentially made ICA the APCapital Group’s workers’ compensation carrier, American Physicians was the medical malpractice carrier for the APCapital Group and APSpecialty became primarily an excess and surplus lines writer. As a result of the novation, American Physicians net loss and loss adjustment expense reserves were decreased by \$57.4 million and net written premiums were reduced by \$77.3 million. The novation also resulted in a \$15 million reduction in surplus for American Physicians, as it transferred these funds to ICA to bolster ICA’s surplus as a result of the workers’ compensation reserves they were assuming from American Physicians.

The second event that impacted results of operations in 2003 was \$46.4 million of prior year loss and loss adjustment expense reserve development. Approximately \$43 million of this prior year development was recorded in the third quarter of 2003 when certain trends in both the frequency and severity of medical malpractice losses appeared in the statistical data used by the actuaries to project ultimate losses. This prior year development primarily related to accident years 1999 and 2002 and was especially noted in our Ohio, Florida and Kentucky markets.

There have also been capital transactions in each of the last several years that have had an impact on American Physicians surplus levels. In late 2003, American Physicians received a \$25 million capital contribution from its parent, American Physicians Capital, Inc. (APCapital). These funds were provided by the issuance of trust preferred securities by trusts formed and owned by APCapital. APCapital is an insurance holding company whose stock is publicly traded on the Nasdaq Stock Market.

APCapital also contributed the stock of APSpecialty to American Physicians effective March 31, 2004. Because of APSpecialty’s very low reserves and premiums in relation to its surplus, the contribution of APSpecialty to American Physicians effectively increase American Physicians surplus by approximately \$20 million.

In addition, as operating results have improved, American Physicians has elected to issue several ordinary dividend payments to its parent company, APCapital, who in turn has used the funds to repurchase shares of its outstanding common stock. This has been deemed by management to be the best use of these funds in light of American Physicians excellent financial position and limited premium growth opportunities. From 2004 to 2006, American Physicians paid \$68.3 million in dividends to APCapital. In 2007, due to the continued profitability of American Physicians, dividends of \$78.2 million were paid to APCapital.

## **Company Defined Items**

### **Item#1:**

County is defined as the premium county, the county in which the premium was generated. This is consistent with our ratemaking methodology. No changes have been made to premium county definitions over the past 10 years.

### **Item#2:**

Claims practices have not changed in past 10 years, but both internal and external actuaries have noted case reserve strengthening starting in 2004 as a result of a change in the claims manager responsible for handling Illinois.

### **Item#3:**

Claims are defined as closed when a closed date is assigned. This definition is consistent throughout the database. Also note that claims are counted on a per defendant basis as requested. Thus, if multiple insureds are named in the same suit, separate claim records are established for each insured. No changes have occurred in this definition in the last 10 years.

### **Item#4:**

The Company writes claims made professional liability policies for physicians and surgeons throughout Illinois. Coverage for professional corporations is offered either as an additional named insured under the physicians limit, or for an additional premium, the physicians may purchase separate limits for the corporation. Tail endorsements are issued either for additional premium as defined by our rating manual or for free if the physician meets certain eligibility criteria. In addition, the Company occasionally writes policies for emergency rooms, surgical centers, and urgent care facilities on a per patient visit basis, per our rating manual. Note the rating manual referenced herein is the one that has been maintained on file with the Division of Insurance.

### **Item#5:**

The Company does not utilize a class system to develop rates. Rather, it develops rates for each individual specialty based on the experience of that particular specialty, credibility weighted with the experience of similar specialties. The Company's base class (specialty) and territory are defined as follows:

Base class (specialty)	Family/General Practitioners – No Surgery (Code 420)
Base territory	Territory 1 – Cook, Madison, and St. Clair Counties

### **Item#6:**

Extended reporting endorsement (ERP) exposures are defined as a single policy within Exhibit 1b (File 1), earned immediately upon issue for unlimited ERPs and earned throughout the year for the 1<sup>st</sup> and 2<sup>nd</sup> annual extensions. Because the 3<sup>rd</sup> annual extension extends the reporting period to an indefinite period, the exposure issued on the

3<sup>rd</sup> extension is earned immediately similar to the unlimited ERPs. This approach to earning exposures is consistent with statutory accounting principles.

For Exhibit 1ci (File 1), the ERP exposures are earned on the basis of the company's step and tail factors to facilitate comparison with losses arrayed by accident year and development year.

Note the effective date of our extended reporting endorsement policies is the date in which the endorsement was issued, consistent with the General Instructions. For example, if the last claims made policy was issued on 1/1/2005 and subsequently endorsed for extended reporting, the effective date for the tail policy would be 1/1/2006. If a limited extension is issued (e.g. one year) and the policy is subsequently endorsed for an additional year, then the 2<sup>nd</sup> extension would have an effective date of 1/1/2007.

**Item#7:**

The following table lists the tail factors at each corresponding maturity year. The first column represents the factor that applies to the expiring claims made premium based on the claims made maturity from the expiring policy. The second column relates the filed tail factors in the first column to a mature claims-made premium.

<b>Maturity Year</b>	<b>Reporting Period Extension Factors (per filing)</b>	<b>Reporting Period Extension Factors (ratio to Mature CM rate)</b>
First Year	4.00	1.00
Second Year	3.88	1.55
Third Year	2.40	1.80
Fourth Year	2.11	1.90
Fifth Year	2.05	1.95
Sixth Year	2.01	1.97
Mature	1.97	1.97

**Item#8:**

The expenses included in the Expense factor on Exhibit 1cv (File 1) include all company expenses exclusive of loss adjustment expenses, premium taxes, and commissions. The Expense factor is intended to cover company activities including but not limited to underwriting and policy issuance, risk management, marketing, human resources, compliance, corporate management, accounting, actuarial, information systems, attorney fees, internal/external audit services, issuing of actuarial opinions, and facility management.

**Item#9:**

The “other” factors listed in Exhibit 1cv (File 1) include other expenses provided for in premiums: commissions, DDR, profit load, taxes, and investment income offset. The commissions represent the external agent and broker fees associated with writing insurance policies. DDR stands for death, disability, and retirement and is intended to provide funding for the cost of issuing free extended reporting period (ERP) endorsements based on certain eligibility criteria. The Company’s profit load, in combination with the recognition of investment income earned on reserves, constitutes the provision required for the Company to meet its overall profit objectives.

An additional item that is considered in the ratemaking process is the adjustment for discounts from manual rates. This is shown on Exhibit 1cv (File 1) as “other” and was equal to -17.5% in our last rate filing. We recognize and expect a number of insureds will qualify for discounts such as claims-free that reduce manual premiums. Also, based on the criteria within our rating manual, insureds may be eligible for schedule rating which further adjusts the manual rate for certain individual risk characteristics.

Note the investment income offset and the “other” factor is recorded in File 1 are actually negative numbers. As there was no guidance for handling negative numbers in the Decimal format, we have included the negative sign immediately in front of the amounts within the field.

**Item#10:**

Assumptions used in completing File 2 (Exhibit 2A):

- Although the instructions do not state explicitly, the first 15 characters have been used as a key for each record.
- The record layout only allows 2 spaces for Policy Type. However, the instructions indicate that the allowable policy types are CMPA and OERE. For this field we only filled in the first 2 positions with CM and OE.
- Note that only calendar year 2007 activity has been included for premiums, claim counts, paid losses and loss expenses, and incurred losses and expenses. Case reserves and IBNR estimates are shown as recorded on December 31, 2007. It is our understanding that the Division of Insurance recognized the difficulty for companies in populating and reconciling data from prior years and as a result the benefit of Exhibit 2A data will not be realized for some time.
- Due to the restriction of field lengths in Exhibit 2A-Surplus, amounts are shown in thousands of dollars.

Assumptions used in producing File 1 (Exhibit 1):

- Although the instructions do not state explicitly, the first 25 characters have been used as a key for each record.
- The two amount fields on position 90 and 128 for Exhibits 1b and 1ci are shown as DEC (3,3) although not in percentage format. Thus, if an exposure amount was 150.345, the amount would be shown as 150345.

### **Reconciliation**

Loss, allocated loss adjustment expense, and premium amounts included in this filing have been reconciled wherever possible with American Physicians' statutory page 14 and/or Supplement A to Schedule T on a direct basis. No significant differences were noted.

**Consulting Actuarial Report and**  
**Data Supporting the Company's Rate Filing**

Attached is a copy of our March 1, 2007 rate filing submitted to the Division of Insurance on February 28, 2007. Our internal actuarial department determines the rates based on its own analysis of loss and loss adjustment expenses, expense levels, and necessary profit provisions. Competitor rate and relativity levels as well as information available from ISMIE's latest rate filing are used to supplement American Physicians' own experience. As this filing represents rates that were in effect as of December 31, 2007, we are submitting the actuarial justification used to support our March 1, 2007 rate levels.

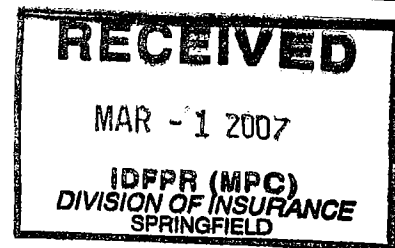
# American Physicians<sup>SM</sup>

ASSURANCE CORPORATION

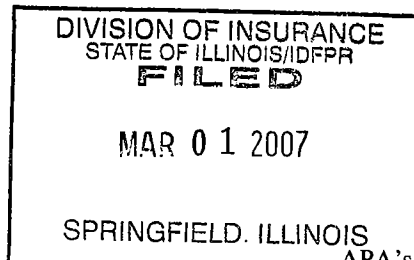
*Practices That Set The Standard*

February 28, 2007

Sent Overnight Mail



Michael T. McRaith  
Director of Insurance  
Illinois Division of Insurance  
320 West Washington Street, 4th Floor  
Springfield, IL 62676



Attention: Property & Casualty Section  
Gayle Neuman

APA's Filing No.: IL-2007-01  
NAIC No.: 33006  
Company FEIN: 38-2102867

Dear Ms. Neuman:

Subject: Professional Medical Malpractice Liability  
Program: Health Care Providers Professional Liability Program  
Type: Rate and Rule Filing  
Effective Date: March 1, 2007


This is to advise that American Physicians Assurance Corporation wishes to place on file the below outlined revisions to its Health Care providers Professional Liability Program (HCP-PL). All changes are being disclosed via the updated manual pages and the NAIC transmittal form and this cover letter. The proposed rates with this filing are adequate, not excessive, and not unfairly discriminatory. We are requesting an effective date of March 1, 2007.

The following items are completed and attached:

1. Rate / Rule Review Requirements Checklist
2. NAIC Transmittal Form – see filing description (item 21) for details related to filing and refer to the rate / rule filing schedule, (item 9, sub item 01) for the specific manual pages updated.
3. RF-3 (Duplicate copies attached)
4. Actuarial memorandum
5. Illinois Certification Form for Medical Malpractice rates signed by Kevin Clinton, CEO and Kevin Dyke, Chief Actuary
6. Updated rate / rule manual pages including a final version and a highlighted version noting the changes made since the last rate / rule filing, #IL-05-11.
7. Self-addressed stamped envelope to return a copy of the approved filing to my attention.

If you should have any questions, please contact me at 1-800-748-046, extension 6849 or e-mail me at [pedgington@apassurance.com](mailto:pedgington@apassurance.com). Thank you for your assistance in this matter.

Sincerely,

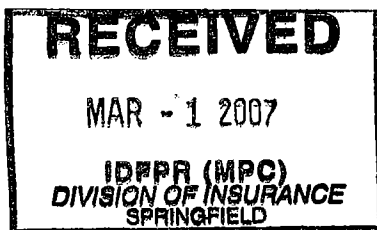
  
Patty Edgington, AU  
Compliance Manager

Enclosures

RECEIVED

JUL 02 2007

UW DEPT



Illinois

ILLINOIS SUMMARY SHEET

FORM RF-3

Change in Company's premium or rate level produced by rate revision effective: 3-1-07

(1) Coverage	(2) Annual Premium Volume (Illinois)*	(3) Percent Change (+ or -)**
1. Automobile Liability		
Private Passenger		
Commercial		
2. Automobile Physical Damage		
Private Passenger		
Commercial		
3. Liability Other than Auto		
4. Burglary and Theft		
5. Glass		
6. Fidelity		
7. Surety		
8. Boiler and Machinery		
9. Fire		
10. Extended Coverage		
11. Inland Marine		
12. Homeowners		
13. Commercial Multi-Peril		
14. Crop Hail		
15. Workers Compensation		
16. <u>Other: Medical Malpractice</u>	54,535,726 estimated	-14.0%
Line of Insurance		

Does filing only apply to certain territory (territories or certain classes? If so, specify: N/A

Brief description of filing (if filing follows rates of an advisory organization, specify organization):

This filing revises our specialty rates, territorial plan, increased limits aggregates, professional corporation charges, vicarious limit charges, and updates the manual to be in complete compliance with the rate/rule filing checklist.

\* Adjusted to reflect all prior rate changes.

\*\* Change in Company's premium level which will result from application of new rates.

American Physicians Assurance Corporation

Name of Company

Patty Edgington  
Patty Edgington, Compliance Manager

## Property &amp; Casualty Transmittal Document

<b>1. Reserved for Insurance Dept. Use Only</b>	<b>2. Insurance Department Use only</b>	
	a. Date the filing is received:	
	b. Analyst:	
	c. Disposition:	
	d. Date of disposition of the filing:	
	e. Effective date of filing:	
	New Business	
	Renewal Business	
	f. State Filing #:	
	g. SERFF Filing #:	
h. Subject Codes		

<b>3. Group Name</b>	APCapital Group, Inc.				<b>Group NAIC #</b>	0966
<b>4. Company Name(s)</b>	<b>Domicile</b>	<b>NAIC #</b>	<b>FEIN #</b>	<b>State #</b>		
American Physicians Assurance Corp	Michigan	33006	38-2102867	967543-51		

<b>5. Company Tracking Number</b>	IL-2007-01
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## Contact Info of Filer(s) or Corporate Officer(s) [include toll-free number]

<b>6. Name and address</b>	<b>Title</b>	<b>Telephone #s</b>	<b>FAX #</b>	<b>e-mail</b>
Patty Edgington, 1301 N. Hagadorn Rd., PO Box 1471, East Lansing, MI 48826-1471	Compliance Manager	800-748-0465, extension 6849 or 517-324-6849	517-333-8232	pedgington@apcapital.com
<b>7. Signature of authorized filer</b>		<i>Patty Edgington</i>		
<b>8. Please print name of authorized filer</b>		Patty Edgington		

## Filing information (see General Instructions for descriptions of these fields)

<b>9. Type of Insurance (TOI)</b>	Medical Malpractice 11.000
<b>10. Sub-Type of Insurance (Sub-TOI)</b>	Claims-Made 11.10000
<b>11. State Specific Product code(s)(if applicable)[See State Specific Requirements]</b>	Physicians and Surgeons Code 11.0023
<b>12. Company Program Title (Marketing title)</b>	Health Care Providers Professional Liability Program
<b>13. Filing Type</b>	<input type="checkbox"/> Rate/Loss Cost <input type="checkbox"/> Rules <input checked="" type="checkbox"/> Rates/Rules <input type="checkbox"/> Forms <input type="checkbox"/> Combination Rates/Rules/Forms <input type="checkbox"/> Withdrawal <input type="checkbox"/> Other (give description)
<b>14. Effective Date(s) Requested</b>	New: 3-1-07      Renewal: 3-1-07
<b>15. Reference Filing?</b>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>16. Reference Organization (if applicable)</b>	N/A
<b>17. Reference Organization # &amp; Title</b>	N/A
<b>18. Company's Date of Filing</b>	2-28-07
<b>19. Status of filing in domicile</b>	<input type="checkbox"/> Not Filed <input type="checkbox"/> Pending <input checked="" type="checkbox"/> Authorized <input type="checkbox"/> Disapproved

<b>21.</b>	<b>Filing Description</b> [This area can be used in lieu of a cover letter or filing memorandum and is free-form text]
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**RATE/RULE FILING SCHEDULE**

(This form must be provided ONLY when making a filing that includes rate-related items such as Rate; Rule; Rate & Rule; Reference; Loss Cost; Loss Cost & Rule or Rate, etc.)

(Do not refer to the body of the filing for the component/exhibit listing, unless allowed by state.)

1.	This filing transmittal is part of Company Tracking #	IL-2007-01
2.	This filing corresponds to form filing number (Company tracking number of form filing, if applicable)	N/A

☐ Rate Increase      x      Rate Decrease      ☐ Rate Neutral (0%)

3.	Filing Method (Prior Approval, File & Use, Flex Band, etc.)	File and Use
4a.	Rate Change by Company (As Proposed)	

Company Name	Overall % Indicated Change (when applicable)	Overall % Rate Impact	Written premium change for this program	# of policyholders affected for this program	Written premium for this program	Maximum % Change (where required)	Minimum % Change (where required)
American Physicians Assurance Corporation	-14.0%	-14.0%	-7,635,002	1,438	54,535,726	7.1%	-27.1%

4b.	Rate Change by Company (As Accepted) For State Use Only
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Company Name	Overall % Indicated Change (when applicable)	Overall % Rate Impact	Written premium change for this program	# of policyholders affected for this program	Written premium for this program	Maximum % Change	Minimum % Change

**5. Overall Rate Information (Complete for Multiple Company Filings only)**

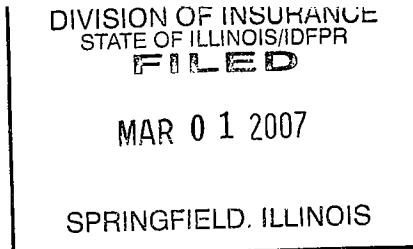
		COMPANY USE	STATE USE
5a	Overall percentage rate indication (when applicable)	-14.0%	
5b	Overall percentage rate impact for this filing	-14.0%	
5c	Effect of Rate Filing – Written premium change for this program	-7,635,002	
5d	Effect of Rate Filing – Number of policyholders affected	1,438	

6.	Overall percentage of last rate revision	9.0%
7.	Effective Date of last rate revision	4/1/05
8.	Filing Method of Last filing (Prior Approval, File & Use, Flex Band, etc.)	File and Use

9.	Rule # or Page # Submitted for Review	Replacement or withdrawn?	Previous state filing number, if required by state
01	Pages IL-1 through pages IL-10	[ ] New [x] Replacement [ ] Withdrawn	IL-05-11
02		[ ] New [ ] Replacement [ ] Withdrawn	

**American Physicians Assurance Corporation**  
Health Care Providers Professional Liability Insurance

**XII. RATES, STATE RULES EXCEPTIONS--Illinois**



Illinois

**A. Illinois Rating Territories**

<b>Territory Code</b>	<b>Territory Description</b>	<b>Territory Factor</b>
1	Cook, Madison and St. Clair Counties	1.000
2	Jackson, Vermilion and Will Counties	0.870
3	DuPage, Kane, Lake, McHenry and Winnebago Counties	0.800
4	Champaign, Macon and Sangamon Counties	0.630
5	Bureau, Coles, DeKalb, Kankakee, LaSalle, Ogle and Randolph Counties	0.720
6	Remainder of State	0.540
7	Peoria County	0.480

**B. Mature Claims-Made Rates - Countrywide Manual Section II. General Rules, Rule A. Rates – is amended to read: Premiums are calculated by using the mature claims-made base rates, as shown below with limits of \$1,000,000/\$4,000,000 and by applying applicable claims-made maturity factors or other coverage option factors.**

<b>Specialty Code</b>	<b>ILFs Alpha Code</b>	<b>Specialty Description</b>	<b>Terr. 1</b>	<b>Terr. 2</b>	<b>Terr. 3</b>	<b>Terr. 4</b>	<b>Terr. 5</b>	<b>Terr. 6</b>	<b>Terr. 7</b>
229		Addictionology	18,707	16,275	14,965	11,785	13,469	10,102	8,979
230		Aerospace Medicine	26,722	23,249	21,378	16,835	19,240	14,430	12,827
254		Allergy	19,133	16,646	15,306	12,054	13,776	10,332	9,184
151		Anesthesiology	47,006	40,895	37,605	29,614	33,845	25,383	22,563
196		Anesthesiology – Pain Management	47,006	40,895	37,605	29,614	33,845	25,383	22,563
255		Cardiovascular Disease – No Surgery	30,786	26,784	24,629	19,395	22,166	16,624	14,777
281		Cardiovascular Disease - Minor Surgery	64,149	55,810	51,319	40,414	46,187	34,641	30,792
256		Dermatology	21,809	18,974	17,447	13,739	15,702	11,777	10,468
282		Dermatology – Minor Surgery	39,336	34,223	31,469	24,782	28,322	21,242	18,881
237		Diabetes – No Surgery	28,974	25,207	23,179	18,254	20,861	15,646	13,907
271		Diabetes – Minor Surgery	42,818	37,252	34,255	26,975	30,829	23,122	20,553
102	S	Emergency Medicine – No Major Surgery	106,801	92,917	85,441	67,285	76,897	57,672	51,264
238		Endocrinology – No Surgery	27,610	24,020	22,088	17,394	19,879	14,909	13,253
272		Endocrinology – Minor Surgery	40,801	35,497	32,641	25,705	29,377	22,033	19,585

**American Physicians Assurance Corporation**  
Health Care Providers Professional Liability Insurance

DIVISION OF INSURANCE  
STATE OF ILLINOIS/IDFPR  
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Illinois

SPRINGFIELD, ILLINOIS

Specialty Code	ILFs Alpha Code	Specialty Description	Terr. 1	Terr. 2	Terr. 3	Terr. 4	Terr. 5	Terr. 6	Terr. 7
420		Family/General Practitioners – No Surgery	37,605	32,716	30,084	23,691	27,076	20,307	18,050
421		Family/General Practitioners – Minor Surgery	50,206	43,680	40,165	31,630	36,149	27,111	24,099
521		Family/General Practitioners – Minor Surgery – 0 to 24 deliveries	51,002	44,372	40,801	32,131	36,721	27,541	24,481
240		Forensic or Legal Medicine	18,707	16,275	14,965	11,785	13,469	10,102	8,979
241		Gastroenterology – No Surgery	46,458	40,418	37,166	29,268	33,449	25,087	22,300
274		Gastroenterology – Minor Surgery	49,543	43,102	39,634	31,212	35,671	26,753	23,781
231		General Preventive Medicine – No Surgery	17,571	15,286	14,056	11,069	12,651	9,488	8,434
243		Geriatrics – No Surgery	31,829	27,691	25,463	20,052	22,917	17,188	15,278
276		Geriatrics – Minor Surgery	47,037	40,922	37,629	29,633	33,866	25,400	22,578
244		Gynecology – No Surgery	27,201	23,665	21,761	17,137	19,585	14,689	13,057
277		Gynecology – Minor Surgery	43,614	37,944	34,891	27,477	31,402	23,551	20,934
245		Hematology – No Surgery	37,605	32,716	30,084	23,691	27,076	20,307	18,050
278		Hematology – Minor Surgery	53,336	46,402	42,668	33,601	38,402	28,801	25,601
283		Hospitalist/Intensive Care Medicine	41,690	36,271	33,352	26,265	30,017	22,513	20,011
232		Hypnosis	16,566	14,412	13,253	10,436	11,927	8,946	7,952
246		Infectious Diseases – No Surgery	54,527	47,439	43,622	34,352	39,260	29,445	26,173
279		Infectious Diseases – Minor Surgery	85,948	74,775	68,758	54,147	61,882	46,412	41,255
283		Intensive Care Medicine/Hospitalist	41,690	36,271	33,352	26,265	30,017	22,513	20,011
257		Internal medicine – No Surgery	50,464	43,904	40,371	31,792	36,334	27,251	24,223
284		Internal medicine – Minor Surgery	65,700	57,159	52,560	41,391	47,304	35,478	31,536
258		Laryngology – No Surgery	32,176	27,993	25,741	20,271	23,167	17,375	15,445
285		Laryngology – Minor Surgery	47,551	41,369	38,041	29,957	34,237	25,678	22,825
801		Manipulative Medicine	19,244	16,742	15,395	12,123	13,855	10,392	9,237
471		Neonatology - No Surgery	72,361	62,954	57,889	45,588	52,100	39,075	34,733
476		Neonatology – Minor Surgery	90,453	78,694	72,363	56,986	65,126	48,845	43,418
259		Neoplastic Diseases – No Surgery	38,196	33,231	30,557	24,064	27,501	20,626	18,334
260		Nephrology – No Surgery	33,845	29,445	27,076	21,322	24,368	18,276	16,245
287		Nephrology – Minor Surgery	50,016	43,514	40,013	31,510	36,012	27,009	24,008
261		Neurology – No Surgery	45,273	39,387	36,218	28,522	32,596	24,447	21,731
288		Neurology – Minor Surgery	53,751	46,763	43,001	33,863	38,701	29,025	25,800
262		Nuclear Medicine	28,211	24,544	22,569	17,773	20,312	15,234	13,541
248		Nutrition	16,566	14,412	13,253	10,436	11,927	8,946	7,952
233		Occupational Medicine	22,268	19,373	17,814	14,029	16,033	12,025	10,689
473		Oncology – No Surgery	38,196	33,231	30,557	24,064	27,501	20,626	18,334
286		Oncology – Minor Surgery	47,037	40,922	37,629	29,633	33,866	25,400	22,578
263		Ophthalmology – No Surgery	28,390	24,699	22,712	17,886	20,441	15,331	13,627
289		Ophthalmology – Minor Surgery	30,852	26,841	24,681	19,436	22,213	16,660	14,809
264		Otology – No Surgery	33,785	29,393	27,028	21,285	24,326	18,244	16,217
290		Otology – Minor Surgery	47,551	41,369	38,041	29,957	34,237	25,678	22,825

American Physicians Assurance Corporation  
Health Care Providers Professional Liability Insurance

DIVISION OF INSURANCE  
STATE OF ILLINOIS/IDFPR  
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SPRINGFIELD, ILLINOIS

Illinois

Specialty Code	ILFs Alpha Code	Specialty Description	Terr. 1	Terr. 2	Terr. 3	Terr. 4	Terr. 5	Terr. 6	Terr. 7
265		Otorhinolaryngology – No Surgery	20,746	18,049	16,596	13,070	14,937	11,203	9,958
291		Otorhinolaryngology – Minor Surgery	43,156	37,546	34,525	27,188	31,072	23,304	20,715
266		Pathology – No Surgery	28,956	25,192	23,165	18,242	20,848	15,636	13,899
292		Pathology – Minor Surgery	50,616	44,036	40,493	31,888	36,444	27,333	24,296
267		Pediatrics – No Surgery	33,092	28,790	26,474	20,848	23,827	17,870	15,884
293		Pediatrics – Minor Surgery	49,257	42,854	39,406	31,032	35,465	26,599	23,643
234		Pharmacology	26,722	23,249	21,378	16,835	19,240	14,430	12,827
235		Physiatry or Physical Medicine and Rehabilitation	19,244	16,742	15,395	12,123	13,855	10,392	9,237
437		Physicians – No Major Surgery – acupuncture	47,037	40,922	37,629	29,633	33,866	25,400	22,578
802		Physicians – No Major Surgery – Sclerotherapy	51,260	44,596	41,008	32,294	36,907	27,680	24,605
431		Physicians – No Major Surgery – shock therapy	51,260	44,596	41,008	32,294	36,907	27,680	24,605
268		Physicians – not otherwise classified – no surgery	30,149	26,230	24,120	18,994	21,708	16,281	14,472
294		Physicians – not otherwise classified – minor surgery	47,037	40,922	37,629	29,633	33,866	25,400	22,578
249		Psychiatry	19,582	17,036	15,666	12,337	14,099	10,574	9,399
250		Psychoanalysis	18,300	15,921	14,640	11,529	13,176	9,882	8,784
251		Psychosomatic Medicine	14,774	12,853	11,819	9,307	10,637	7,978	7,091
236		Public Health	18,707	16,275	14,965	11,785	13,469	10,102	8,979
269		Pulmonary Diseases – No Surgery	36,224	31,515	28,979	22,821	26,081	19,561	17,388
298		Pulmonary Diseases – Minor Surgery	61,768	53,739	49,415	38,914	44,473	33,355	29,649
253	S	Radiology – diagnostic – No Surgery	47,717	41,513	38,173	30,061	34,356	25,767	22,904
280	S	Radiology – diagnostic – Minor Surgery	72,607	63,168	58,086	45,743	52,277	39,208	34,852
425	S	Radiology – Therapeutic	53,939	46,927	43,151	33,981	38,836	29,127	25,891
252		Rheumatology – No Surgery	28,211	24,544	22,569	17,773	20,312	15,234	13,541
247		Rhinology – No Surgery	32,176	27,993	25,741	20,271	23,167	17,375	15,445
270		Rhinology – Minor Surgery	47,551	41,369	38,041	29,957	34,237	25,678	22,825
166	S	Surgery – Abdominal	109,343	95,128	87,474	68,886	78,727	59,045	52,484
101	S	Surgery – Broncho-esophagology	65,605	57,076	52,484	41,331	47,235	35,426	31,490
141	H	Surgery – Cardiac	158,071	137,522	126,457	99,585	113,811	85,358	75,874
150	H	Surgery – Cardiovascular Disease	144,461	125,681	115,569	91,010	104,012	78,009	69,341
115	S	Surgery – Colon and Rectal	86,478	75,236	69,182	54,481	62,264	46,698	41,509
472	S	Surgery – Dermatology	66,433	57,796	53,146	41,853	47,831	35,874	31,888
157	S	Surgery – Emergency Medicine	121,466	105,675	97,173	76,524	87,456	65,592	58,304
103	S	Surgery – Endocrinology	57,272	49,827	45,818	36,082	41,236	30,927	27,491
117	S	Surgery – Family/General Practice	73,077	63,577	58,462	46,039	52,615	39,462	35,077
104	S	Surgery – Gastroenterology	67,681	58,883	54,145	42,639	48,730	36,548	32,487
143	S	Surgery – General – not otherwise classified	101,534	88,334	81,227	63,966	73,104	54,828	48,736
105	S	Surgery – Geriatrics	71,358	62,082	57,087	44,956	51,378	38,534	34,252
167	H	Surgery – Gynecology	87,768	76,358	70,215	55,294	63,193	47,395	42,129
169	S	Surgery – Hand	83,952	73,038	67,161	52,890	60,445	45,334	40,297
170	S	Surgery – Head and Neck	103,442	89,994	82,753	65,168	74,478	55,858	49,652

American Physicians Assurance Corporation  
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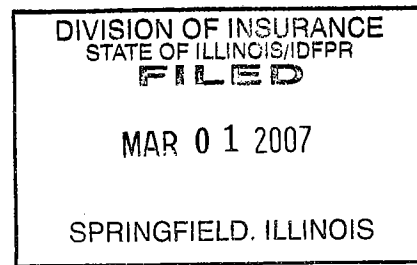
Illinois

SPRINGFIELD, ILLINOIS

Specialty Code	ILFs Alpha Code	Specialty Description	Terr. 1	Terr. 2	Terr. 3	Terr. 4	Terr. 5	Terr. 6	Terr. 7
474	H	Surgery – Neonatology or Pediatrics	117,463	102,193	93,970	74,002	84,573	63,430	56,382
107	S	Surgery – Neoplastic	61,666	53,650	49,333	38,850	44,400	33,300	29,600
108	S	Surgery – Nephrology	65,500	56,985	52,400	41,265	47,160	35,370	31,400
152	H	Surgery – Neurology	256,404	223,071	205,123	161,534	184,611	138,458	123,074
168	H	Surgery – Obstetrics	157,770	137,259	126,216	99,395	113,594	85,196	75,729
153	H	Surgery – Obstetrics – Gynecology	157,770	137,259	126,216	99,395	113,594	85,196	75,729
560	H	Surgery – Obstetrics – Gynecology – 0 to 49 deliveries	126,223	109,814	100,979	79,521	90,881	68,161	60,587
561	H	--50 to 69 deliveries	130,160	113,239	104,128	82,001	93,715	70,286	62,477
562	H	--70 to 89 deliveries	134,103	116,670	107,283	84,485	96,554	72,416	64,370
563	H	-- 90 to 109 deliveries	141,993	123,534	113,595	89,456	102,235	76,676	68,157
564	H	--110 to 129 deliveries	149,885	130,400	119,908	94,427	107,917	80,938	71,945
565	H	--130 to 149 deliveries	157,770	137,259	126,216	99,395	113,594	85,196	75,729
566	H	--150 to 169 deliveries	173,547	150,986	138,838	109,335	124,954	93,715	83,303
567	H	--170 to 189 deliveries	189,325	164,713	151,460	119,275	136,314	102,236	90,876
568	H	--190 to 209 deliveries	205,100	178,437	164,080	129,213	147,672	110,754	98,448
569	H	--210 to 229 deliveries	220,880	192,165	176,704	139,154	159,033	119,275	106,022
570	H	--230 to 249 deliveries	236,654	205,889	189,323	149,092	170,391	127,793	113,594
571	H	--250 to 269 deliveries	252,431	219,615	201,945	159,032	181,751	136,313	121,167
572	H	--270 to 289 deliveries	268,211	233,344	214,569	168,973	193,112	144,834	128,741
573	H	--290 to more deliveries	283,985	247,067	227,188	178,911	204,470	153,352	136,313
114	S	Surgery – Ophthalmology	54,663	47,557	43,730	34,438	39,357	29,518	26,238
804	S	Surgery – Ophthalmology – Plastic	71,524	62,226	57,219	45,060	51,498	38,623	34,332
154	H	Surgery – Orthopedic	168,919	146,960	135,135	106,419	121,622	91,216	81,081
164	H	Surgery – Orthopedic – without procedures on the back	124,471	108,289	99,577	78,417	89,619	67,214	59,746
158	S	Surgery – Otolaryngology	69,371	60,353	55,497	43,704	49,947	37,460	33,298
159	S	Surgery – Otorhinolaryngology	63,484	55,231	50,787	39,995	45,708	34,281	30,472
156	H	Surgery – Plastic – not otherwise classified	101,818	88,581	81,454	64,145	73,309	54,982	48,873
155	S	Surgery – Otorhinolaryngology	96,417	83,883	77,134	60,743	69,420	52,065	46,280
160	S	Surgery – Rhinology	69,371	60,353	55,497	43,704	49,947	37,460	33,298
144	H	Surgery – Thoracic	142,488	123,965	113,991	89,768	102,592	76,944	68,394
171	H	Surgery – Traumatic	134,472	116,991	107,578	84,717	96,820	72,615	64,547
145	S	Surgery – Urological	66,185	57,581	52,948	41,696	47,653	35,740	31,769
146	H	Surgery – Vascular	150,238	130,707	120,190	94,650	108,171	81,129	72,114
424		Urgent Care Medicine	37,605	32,716	30,084	23,691	27,076	20,307	18,050

**Note:** When \$2,000,000/\$4,000,000 Increased Limits Factor (ILF) is requested for a specialty code that displays an alpha code, either **S** or **H**, use the corresponding ILF factor as displayed in Rule F.

**American Physicians Assurance Corporation**  
Health Care Providers Professional Liability Insurance



Illinois

**C. Mature Claims-Made Rates – Dentists**

Specialty Code	ILFs Alpha Code	Specialty Description	Terr. 1	Terr. 2	Terr. 3	Terr. 4	Terr. 5	Terr. 6	Terr. 7
212		Dental Surgeons – Oral or Maxillofacial – Engaged in oral surgery or operative dentistry on patients rendered unconscious through the administering of any anesthesia or analgesia	41,564	36,161	33,252	26,186	29,926	22,445	19,951
210		Dentists – Minor Surgery	20,783	18,081	16,627	13,093	14,964	11,223	9,976
211		Dentists – No Surgery - not otherwise classified	8,313	7,233	6,651	5,237	5,986	4,489	3,990

**D. Mature Claims-Made Rates – Healthcare Facilities**

**1. Emergency Room Groups\***

ILFs Alpha Code	Specialty Description	Terr. 1	Terr. 2	Terr. 3	Terr. 4	Terr. 5	Terr. 6	Terr. 7
S	Emergency Room Groups (“Per 100 patient visits” basis). Separate limits per member physician/healthcare professional may be purchased for an additional 20% charge of the “per patient visit” premium.	2,143	1,865	1,715	1,350	1,543	1,157	1,029

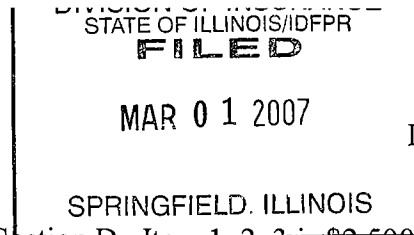
**2. Urgent Care Groups\***

ILFs Alpha Code	Specialty Description	Terr. 1	Terr. 2	Terr. 3	Terr. 4	Terr. 5	Terr. 6	Terr. 7
	Urgent Care Groups (“Per 100 patient visits” basis). Separate limits per member physician/healthcare professional may be purchased for an additional 20% charge of the “per patient visit” premium.	602	523	481	379	433	325	289

**3. Outpatient Surgery Centers\***

ILFs Alpha Code	Specialty Description	Terr. 1	Terr. 2	Terr. 3	Terr. 4	Terr. 5	Terr. 6	Terr. 7
S	Outpatient Surgery Centers (Surgicenters) (“Per 100 patient visits” basis). All physicians must be separately insured by American Physicians in order to provide coverage for the outpatient surgery center.	3,046	2,650	2,437	1,919	2,193	1,645	1,462

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\*Note: Minimum premium for each Facility Policy in Section D., Item 1, 2, 3 is \$2,500.

**E. Premium Charges for Vicarious, Shared and Separate Limits**

Under Countrywide Rule IX., Item D., Premium Charges for Vicarious, Shared and Separate Limits is replaced in its entirety with the following:

Specialty Code	Healthcare Professional	Vicarious Limit Charge	Shared Limit Charge	Separate Limit Charge
411	Chiropractor	0%	35% of class 420	70% of class 420
452	Nurse Anesthetist	0%	7.5% of class 151	15% of class 151
962	Nurse Midwife	0%	25% of class 153	50% of class 153
963	Nurse Practitioner	0%	7.5% of class 420	15% of class 420
942	Perfusionist	0%	7.5% of class 420	15% of class 420
807	Physician Assistant	0%	7.5% of class 420	15% of class 420
943	Podiatrist/incl. surg.	0%	40% of class 143	50% of class 143
944	Podiatrist – no surg.	0%	35% of class 420	70% of class 420
946	Psychologist	0%	5% of class 249	10% of class 249
808	Surgeon Assistant	0%	7.5% of class 420	15% of class 420

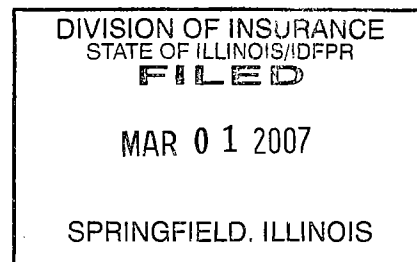
**F. Higher limits of liability may be purchased at premiums derived by applying the following factors to the \$1,000,000/\$4,000,000 rates:**

Higher Limits of Liability	All Other Physicians and Dentists	Emergency Medicine, Radiologists, All Other Surgery (S)	Selected Surgical Specialties (H)
\$2,000,000/\$4,000,000	1.344	1.418	1.460
For higher Limits of Liability – Refer to Company			

**G. Limits that are less than these \$1,000,000/\$4,000,000 may be purchased at premiums derived from applying the following decreased limit factors to the \$1,000,000/\$4,000,000 rates (not including any credit applied for a deductible):**

Limits of Liability	All Physicians, Surgeons, and Dentists
\$100,000/\$400,000	0.480
\$200,000/\$800,000	0.620
\$250,000/\$1,000,000	0.665
\$300,000/\$1,200,000	0.700
\$500,000/\$2,000,000	0.790
\$750,000/\$3,000,000	0.920
\$1,000,000/\$2,000,000	0.980
\$1,000,000/\$4,000,000	1.000

American Physicians Assurance Corporation  
Health Care Providers Professional Liability Insurance



Illinois

H. Claims-Made Maturity Factors

Note: If the retroactive date falls on a date other than the anniversary date, a factor will be used that is pro-rating the two applicable maturity factors. These factors are applied to the mature claims-made base rates.

First Year	0.25
Second Year	0.40
Third Year	0.75
Fourth Year	0.90
Fifth Year	0.95
Sixth Year	0.98
Mature	1.00

I. Reporting Period Extension Rules

Claims-made reporting period extension(s) ("tail" coverage) are offered (unless coverage is automatically provided within the terms of the policy) to any insured whose coverage is terminated for any reason using the following calculation methods at the time of termination. A minimum of 30 days notice after the policy is terminated will be given to the policyholder to purchase the extended reporting period coverage. There are no credits or debits that will be added or removed when determining the cost of the claims-made reporting period extension.

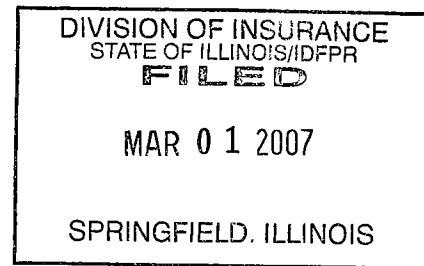
1. A single extension for an unlimited reporting period may be purchased. One set of limits of liability is provided for the entire unlimited reporting period. The rates for this extension are computed by applying the applicable reporting period extension factor displayed below to the expiring annual premium.
2. Alternatively, one 12 month extension may be purchased as of the policy termination and the next two annual anniversaries of that termination. Separate limits apply for each of the three extensions. The second extension is a 12 month extension and the final extension is an unlimited extension. Premiums for each extension are 33.3% of the rate applicable to the single unlimited extension (1.).

J. Reporting Period Extension Factors - Factors are applied to the claims-made rate applicable to the expiring annual premium at the time the extended reporting endorsement is offered.

First Year	4.00
Second Year	3.88
Third Year	2.40
Fourth Year	2.11
Fifth Year	2.05

American Physicians Assurance Corporation  
Health Care Providers Professional Liability Insurance

Sixth Year 2.01  
Mature 1.97



Illinois

K. Corporate Entity Coverage

Under Countrywide Corporate Entity Coverage Rule, Item B. Organization Coverage Charge – Separate Limits, sub item 3. is replaced with the following:

3.	<table><tr><th># of Insureds</th><th>Charge</th></tr><tr><td>2-5</td><td>15.0%</td></tr><tr><td>6-9</td><td>12.0%</td></tr><tr><td>10-19</td><td>9.0%</td></tr><tr><td>20 or more</td><td>7.0%</td></tr></table>	# of Insureds	Charge	2-5	15.0%	6-9	12.0%	10-19	9.0%	20 or more	7.0%
# of Insureds	Charge										
2-5	15.0%										
6-9	12.0%										
10-19	9.0%										
20 or more	7.0%										

L. Part-Time Rule

Under Countrywide Rule VI. Special Rating Rules, Item A. Part Time is replaced with the following:

- A. Part Time: 60% of the otherwise applicable rate applies to physicians (see eligibility requirements under General Rules) with American Physicians insured exposure averaging 20 hours or less per week. If evidence of insurance is provided for any professional liability exposure insured by any other carrier, that other exposure would be excluded from the American Physicians policy. Other credits may be reduced due to lower premiums with this rating.

XIII. Merit Rating

In order to be eligible for any merit-rating plan, the incurred loss ratio over the last 10 years shall not exceed **135%**. The total credit that may be applied under the Claims-Free Credit Rule is **-15%** and the total credit/debit that may be applied under the Schedule Rating Plan is **+/- 35%**.

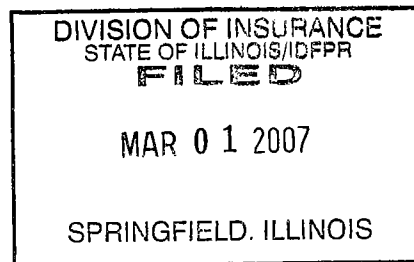
A. Claim-Free Credit

See countrywide manual Section X. Merit Rating, Rule A. for the underwriting criteria. Below is the Claim-Free Credit Schedule for use in Illinois:

1. Credit Schedule:

<u>Years of Claims-Free Experience</u>	<u>Credit</u>
Three to Five Years	5%
Six to Seven Years	10%
Eight or More Years	15%

American Physicians Assurance Corporation  
Health Care Providers Professional Liability Insurance



Illinois

B. Schedule Rating Plan

The premium may be credited or debited based on the total of credits and debits derived from the following "risk characteristics" schedule. The maximum allowable credit/debit for the Schedule Rating Plan is +/- 35%.

	Maximum	
	Credit	Debit
1. Professional Skills, Quality of Care	10%	10%
Use of a recognized system of clinical guidelines. Relevant board certification. Accreditation status by a recognized regulatory body. The provision of medical care limited to qualified individuals. Continuing education of all professional staff beyond what is required by state licensing regulation. Maintenance of premises and equipment.		
2. Patient Rapport	10%	10%
Length of service and reputation in community. Established policies and procedures for patient services. Cooperation with the Company claims management and resolution procedures.		
3. Record Keeping	10%	10%
A well-maintained patient record system in place: thorough documentation of patient care and interaction; follow-up system for diagnostic studies, consultation and appointments.		
4. Risk Characteristics	5%	5%
a. Documented successful completion of an approved office risk analysis/communication skills assessment/risk management on-site visit and/or education program, including an appropriate response to recommendations made.		
b. Documented attendance at an approved risk management seminar, or successful completion of an approved risk management correspondence course.		

XIV. Quarterly Installment Option and Monthly Installment Option

**American Physicians Assurance Corporation**  
Health Care Providers Professional Liability Insurance

STATE OF ILLINOIS/IDFPR

**FILED**

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SPRINGFIELD, ILLINOIS

Illinois

American Physicians offers the following: (does not apply to Claims-Made Reporting Period Extensions ("tail coverage")).

4-pay (quarterly)	25% down payment	3 equal installments (Due 4 <sup>th</sup> , 7 <sup>th</sup> , and 10 <sup>th</sup> months).
9-pay (monthly)	15% down payment	8 equal installments (Due 2 <sup>nd</sup> , 3 <sup>rd</sup> , 4 <sup>th</sup> , 5 <sup>th</sup> , 6 <sup>th</sup> , 7 <sup>th</sup> , 8 <sup>th</sup> , and 9 <sup>th</sup> months).

- A \$10 installment fee will be applied to all payment plans/per installment except in the event the policy premium is \$500 to \$999 and the installment fee will be waived.
- Installment fees will not be charged on the downpayment portion.
- No interest will be charged.
- Additional premium resulting from changes to the policy will be spread equally over the remaining installments, if any.

**XV. Deductibles Offered**

See Countrywide Manual, Section V. for underwriting criteria.

Item C. from the Deductible section in the Countrywide Manual is deleted and replaced with the following: Deductible factors are applied to the \$1,000,000/\$4,000,000 base rate, Section IV, Rating Steps, Item D to derive the deductible credit amount.

Deductible Amount Per Incident	Indemnity Only Factor	Indemnity and Defense Factor
\$5,000	.01	.03
\$10,000	.03	.05
\$15,000	.04	.08
\$25,000	.07	.12
\$30,000	.08	.13
\$50,000	.12	.19
\$75,000	.16	.25
\$100,000	.19	.30
\$200,000	.27	.43

**XVI. Risk Management Activities Discounts**

See Section XIII. Merit Rating, Rule B., Schedule Rating Plan, sub item 4 – Risk Characteristics on page IL-9 for the Underwriting Criteria.

**XVII. Consent to Rate**

Under Countrywide Rules, Rule XI. Consent to Rate is deleted in its entirety.

**Contact Person:****Gayle Neuman****217-524-6497****Gayle.Neuman@illinois.gov****Illinois Division of Insurance  
Review Requirements Checklist****320 West Washington Street  
Springfield, IL 62767-0001****Effective as of 8/25/06**

From: Patty Edgington at American  
Physicians Assurance Corp, NAIC#33006,  
Fein#38-2102867, Company Filing #IL-  
2007-01

**Line(s) of Business****Code(s)**☒ **MEDICAL MALPRACTICE****11.0000****\*\*\*This checklist is for rate/rule**☒ **Claims Made****11.10000****filings only.**☐ **Occurrence****11.2000****See separate form checklist.**

<b><u>Line(s) of Insurance</u></b>	<b><u>Code(s)</u></b>	<b><u>Line(s) of Insurance</u></b>	<b><u>Code(s)</u></b>	<b><u>Line(s) of Insurance</u></b>	<b><u>Code(s)</u></b>
<input type="checkbox"/> Acupuncture	11.0001	<input type="checkbox"/> Hospitals	11.0009	<input type="checkbox"/> Optometry	11.0019
<input type="checkbox"/> Ambulance Services	11.0002	<input type="checkbox"/> Professional Nurses	11.0032	<input type="checkbox"/> Osteopathy	11.0020
<input type="checkbox"/> Anesthetist	11.0031	<input type="checkbox"/> Nurse – Anesthetists	11.0010	<input type="checkbox"/> Pharmacy	11.0021
<input type="checkbox"/> Assisted Living Facility	11.0033	<input type="checkbox"/> Nurse – Lic. Practical	11.0011	<input type="checkbox"/> Physical Therapy	11.0022
<input type="checkbox"/> Chiropractic	11.0003	<input type="checkbox"/> Nurse – Midwife	11.0012	<input checked="" type="checkbox"/> Physicians & Surgeons	11.0023
<input type="checkbox"/> Community Health Center	11.0004	<input type="checkbox"/> Nurse – Practitioners	11.0013	<input type="checkbox"/> Physicians Assistants	11.0024
<input type="checkbox"/> Dental Hygienists	11.0005	<input type="checkbox"/> Nurse – Private Duty	11.0014	<input type="checkbox"/> Podiatry	11.0025
<input type="checkbox"/> Dentists	11.0030	<input type="checkbox"/> Nurse – Registered	11.0015	<input type="checkbox"/> Psychiatry	11.0026
<input type="checkbox"/> Dentists – General Practice	11.0006	<input type="checkbox"/> Nursing Homes	11.0016	<input type="checkbox"/> Psychology	11.0027
<input type="checkbox"/> Dentists – Oral Surgeon	11.0007	<input type="checkbox"/> Occupational Therapy	11.0017	<input type="checkbox"/> Speech Pathology	11.0028
<input type="checkbox"/> Home Care Service Agencies	11.0008	<input type="checkbox"/> Ophthalmic Dispensing	11.0018	<input type="checkbox"/> Other	11.0029

<b><u>Illinois Insurance Code Link</u></b>	<b><u>Illinois Compiled Statutes Online</u></b>	
<b><u>Illinois Administrative Code Link</u></b>	<b><u>Administrative Regulations Online</u></b>	
<b><u>Product Coding Matrix Link</u></b>	<b><u>Product Coding Matrix</u></b>	
<b><u>NAIC Uniform Transmittal Form</u></b>	<b>50 IL Adm. Code 929 <u>NAIC Uniform Transmittal Form</u></b>	If insurers wish to use the NAIC Uniform Transmittal form in lieu of a cover letter/explanatory memorandum, the Division will accept such form, as long as all information required in the "Cover Letter & Explanatory Memorandum" section below are properly included.
<b><u>NAIC Self-Certification Program</u></b>	<b><u>Newsletter Article regarding Division's Participation</u>  <u>Self-Certification form</u></b>	If an authorized company officer completes the Self-Certification form, and submits such form as the 1 <sup>st</sup> page of the filing, the Division will expedite review of the filing ahead of all other filings received to date. The Division will track company compliance with the laws, regulations, bulletins, and this checklist and report such information to the NAIC.
<b><u>Filing Location and Standard within Filing Column</u></b>	<b>See checklist format below.</b>	To expedite review of your filing, use this column to indicate location of the standard within the filing (e.g. page #, section title, etc.)
<b><u>Description of Law, Regulation, Bulletin, or Requirement</u></b>	<b>See checklist format below.</b>	These brief summaries do not include all requirements of all laws, regulations, bulletins, or requirements, so review actual law, regulation, bulletin, or requirement for details to ensure that forms are fully compliant before filing with the Division of Insurance.

FILING REQUIREMENTS FOR FORM FILINGS	REFERENCE	DESCRIPTION OF REVIEW STANDARD REQUIREMENT	LOCATION OF STANDARD WITHIN FILING
See separate form filing checklist.		To assist insurers in submitting compliant medical liability rate/rule filings as a result of newly-passed PA94-677 (SB475), the Division has created this separate, comprehensive rate/rule filing checklist for medical liability filings.  Please see the separate form filing checklist for requirements related to medical liability forms.	N/A – This is a rate/rule filing.
GENERAL FILING REQUIREMENTS FOR ALL RATE/RULE FILINGS			
LINE OF AUTHORITY			
Must have proper Class and Clause authority to conduct this line of business in Illinois.	<u>215 ILCS 5/4</u>  <u>List of Classes/Clauses</u>	To write Medical Liability insurance in Illinois, companies must be licensed to write:  1. Class 2, Clause (c)	APA Certificate of Authority grants class 2, clause c authority. COA #967543-51
RATES AND RULES REQUIRED TO BE FILED			
Rates/Rules Must be Filed Separately from Forms			
Insurers shall make separate filings for rate/rules and for forms/endorsements, etc.		The laws and regulations for medical liability forms/endorsements and the laws for medical liability rates/rules are different and each must be reviewed according to its own set of laws/regulations/procedures. Therefore, insurers are required to file forms and rates/rules separately.  For requirements regarding form filings, see separate form filing checklist.	This is a rate/rule filing effective 3-1-07.
New Insurers			
New insurers must file their rates, rules, plans for gathering statistics, etc. upon commencement of business.	<u>215 ILCS 5/155.18</u>  <u>50 IL Adm. Code 929</u>	“New Insures” are insurers who are: <ul style="list-style-type: none"><li>• New to Illinois.</li><li>• New writers of medical liability insurance in Illinois.</li><li>• Writing a new Line of Insurance listed on Page 1 of this checklist,</li></ul> New insurers must file the following:	Not applicable with this filing – We are not a new insurer.

		<p>a) Medical liability insurance rate manual, including all rates.</p> <p>b) Rules, including underwriting rule manuals which contain rules for applying rates or rating plans,</p> <p>c) Classifications and other such schedules used in writing medical liability insurance.</p> <p>d) Statement regarding whether the insurer:</p> <ul style="list-style-type: none"> <li>• Has its own plan for the gathering of medical liability statistics; or</li> <li>• Reports its medical liability statistics to a statistical agent (and if so, which agent).</li> </ul> <p>The Director, at any time, may request a copy of the insurer's statistical plan or request the insurer to provide written verification of membership and reporting status from the insurer's reported statistical agency.</p> <p>Insurers are instructed to review all requirements in this checklist, including the requirements for applicable actuarial documentation, as well as all medical liability laws and regulations, to ensure that the filing contains all essential elements before submitting the filing to the Division.</p>	
<b>Amendments to Initial Rate/Rule Filings</b>			
<p>After a new insurer has filed the rates/rules/information described above, insurers must file rates/rules, or advise of changes to statistical plans, as often as they are amended.</p>	<p><u>215 ILCS 5/155.18</u></p> <p><u>50 IL Adm. Code 929</u></p>	<p>After a new insurer has filed the rates/rules/information described above, insurers must file rates/rules/rating schedules (as described above for new business) as often as such filings are changed or amended, or when any new rates or rules are added.</p> <p>Any change in premium to the company's insureds as a result of a change in the company's base rates or a change in its increased limits factors shall constitute a change in rates and shall require a filing with the Director.</p> <p>Insurers shall also advise the Director if its plans for the gathering of statistics has changed, or if the insurer has changed statistical agents.</p> <p>The Director, at any time, may request a copy of the insurer's statistical plan or request the insurer to provide written verification of membership and reporting status from the insurer's reported statistical agency.</p> <p>Insurers are instructed to review all requirements in this checklist, including the requirements for applicable actuarial documentation, as well as all medical liability laws and regulations, to ensure that the filing contains all essential elements before submitting the filing to the Division.</p>	<p>Rate/rule manual pages have been updated and actuarial documentation is attached.</p>
<b>EFFECTIVE DATES OF AMENDMENTS</b>			
Illinois is "file and use"	<u>215 ILCS 5/155.18</u>	A rate/rating plan/rule filing shall go into effect no	Rate filing is being

for medical liability rates and rules.	<u>50 IL Adm. Code 929</u>	earlier than the date the filing is received by the Division of Insurance, Property & Casualty Compliance Section, except as otherwise provided in Section 155.18.	over-nighted today 2-28-07 to be effective 3-1-07
<b>ADOPTIONS OF ADVISORY ORGANIZATION FILINGS</b>			
Insurer must file all rates and rules on its own behalf.	<u>50 IL Adm. Code 929</u>	Although Rule 929 allows for insurers to adopt advisory organization rule filings, advisory organizations no longer file rules in Illinois.	We are filing on our own behalf.
<b>COPIES RETURN ENVELOPES, ETC.</b>			
Requirement for duplicate copies and return envelope with adequate postage.	<u>50 IL Adm. Code 929</u>	Insurers that desire a stamped returned copy of the filing or submission letter must submit a duplicate copy of the filing/letter, along with a return envelope large enough and containing enough postage to accommodate the return filing.	Duplicate copy of filing in addition to return envelope with adequate postage is attached.
<b>COVER LETTER &amp; EXPLANATORY MEMORANDUM</b>			
Two copies of a submission letter are required, and the submission letter must contain the information specified.  "Me too" filings are not allowed.  Use of NAIC Uniform Transmittal form is acceptable as long as all required information is included.	<u>215 ILCS 5/155.18</u>  <u>50 IL Adm. Code 929</u>  <u>Company Bulletin 88-53</u>  <u>Actuarial Certification Form</u>  <u>NAIC Uniform Transmittal Form</u>	All filings must be accompanied by a submission letter which includes <u>all</u> of the following information:  1) Exact name of the company making the filing.  2) Federal Employer Identification Number (FEIN) of the company making the filing.  3) Unique filing identification number – may be alpha, numeric, or both. Each filing number must be unique within a company and may not be repeated on subsequent filings. If filing subsequent revisions to a pending filing, use the same filing number as the pending filing or the revision(s) will be considered a new filing.  4) Identification of the classes of medical liability insurance to which the filing applies (for identifying classes, refer to Lines of Insurance shown on Page 1 of this checklist, in compliance with the NAIC Product Coding Matrix).  5) Notification of whether the filing is new or supersedes a present filing. If filing supersedes a present filing, insurer must identify <u>all</u> changes in superseding filings, <u>and all</u> superseded filings, including the following information:  <ul style="list-style-type: none"> <li>• Copy of the complete rate/rule manual section(s) being changed by the filing with all changes clearly highlighted or otherwise identified.</li> <li>• Written statement that all changes made to the superseded filing have been disclosed.</li> <li>• List of all pages that are being completely superseded or replaced with new pages.</li> <li>• List of pages that are being withdrawn and not</li> </ul>	Submission letter attached with all items including the NAIC transmittal document.  Included in submission letter and NAIC transmittal form.  Included in submission letter and NAIC transmittal form.  Included in cover letter and NAIC transmittal form.  Included in NAIC transmittal form.  Included in cover letter and NAIC transmittal form.

		<p>being replaced.</p> <ul style="list-style-type: none"> <li>List of new pages that are being added to the superseded filing.</li> <li>Copies of all manual pages that are affected by the new filing, including but not limited to subsequent pages that are amended solely by receiving new page numbers.</li> </ul> <p>6) Effective date of use.</p> <p>7) Actuarial certification (see Actuarial Certification section below). Insurers may use their own form or may use the sample form developed by the Division.</p> <p>8) Statement that the insurer, in offering, administering, or applying the filed rate/rule manual and/or any amended provisions, does not unfairly discriminate.</p> <p>Companies under the same ownership or general management are required to make <u>separate, individual company filings</u>. Company Group ("Me too") filings are unacceptable.</p> <p>If insurers wish to use the NAIC Uniform Transmittal form in lieu of a cover letter/explanatory memorandum, the Division will accept such form, as long as all information required in this section is properly included.</p>	<p>Included in cover letter and NAIC transmittal form.</p> <p>The signed actuarial certification form is attached.</p> <p>Included in cover letter and NAIC transmittal form.</p> <p>Not applicable with this filing.</p>
FORM RF-3 Summary Sheet	50 IL Adm. Code 929  Form RF-3 Summary Sheet	<p>For any rate level change, insurers must file two copies of Form RF-3 (Summary Sheet) which provides information on changes in rate level based on the company's premium volume, rating system, and distribution of business with respect to the classes of medical liability insurance to which the rate revision applies. Such forms must be received by the Division's Property &amp; Casualty Compliance Section no later than the stated effective date of use.</p> <p>Insurers must report the rate change level and premium volume amounts on the "Other" Line and insert the words "Medical Liability" on the "Other" descriptive line. Do not list the information on the "Other Liability" line.</p> <p>If the Medical Liability premium is combined with any other Lines of Business (e.g. CGL, commercial property, etc.), the insurer must report the effect of rate changes to each line separately on the RF-3, indicating the premium written and percent of rate change for each line of business.</p> <p>The RF-3 form must indicate whether the information is "exact" or "estimated."</p>	<p>Duplicate copies of RF-3 are attached.</p> <p>Completed – See the RF-3.</p> <p>This is not applicable.</p> <p>RF-3 indicates "estimated".</p>

Quarterly premium payment installment plan required as prescribed by the Director.	<u>215 ILCS 5/155.18</u>	<p>A company writing medical liability insurance in Illinois shall offer to each of its medical liability insureds the option to make premium payments in quarterly installments as prescribed by and filed with the Director. Such option must be offered in the initial offer of the policy or in the first policy renewal occurring after January 1, 2006. Thereafter, the insurer need not offer the option, but if the insured requests it, must make it available. Such plans are subject to the following minimum requirements:</p> <ul style="list-style-type: none"> <li>• May not require more than 40% of the estimated total premium to be paid as the initial payment;</li> <li>• Must spread the remaining premium equally among the 2<sup>nd</sup>, 3<sup>rd</sup>, and 4<sup>th</sup> installments, with the maximum set at 30% of the estimated total premium, and due 3, 6, and 9 months from policy inception, respectively;</li> <li>• May not apply interest charges;</li> <li>• May include an installment charge or fee of no more than the lesser of 1% of the total premium or \$25;</li> <li>• Must spread any additional premium resulting from changes to the policy equally over the remaining installments, if any. If there are no remaining installments, the additional premium may be billed immediately as a separate transaction; and</li> <li>• May, but is not required to offer payment plan for extensions of a reporting period, or to insureds whose annual premiums are less than \$500. However, if offered to either, the plan must be made available to all within that group.</li> </ul>	All of the items in this payment plan section - See item XIV titled Quarterly Installment Option & monthly Installment Option on page IL-10.
<b>DEDUCTIBLES:</b>			
Deductible plans should be filed if offered.	<u>215 ILCS 5/155.18</u>	A company writing medical liability insurance in Illinois is encouraged, but not required, to offer the opportunity for participation in a plan offering deductibles to its medical liability insureds. Any such plan shall be contained in a filed rate/rule manual section entitled "Deductibles Offered" or substantially similar title. If an insurer uses a substantially similar title, the Rate/Rule Submission Letter or NAIC Uniform Transmittal form must indicate the name of the section that applies.	See item XV titled Deductibles Offered on page IL-10.
<b>DISCOUNTS:</b>			
Premium discount for risk management activities should be filed if offered.	<u>215 ILCS 5/155.18</u>	A company writing medical liability insurance in Illinois is encouraged, but not required, to offer their medical liability insureds a plan providing premium discounts for participation in risk management activities. Any such plan shall be contained in a filed rate/rule manual section entitled "Risk Management Activities Discounts" or substantially similar title. If an insurer uses a substantially similar title, the	See item XVI titled Risk Management Activities Discounts on page IL-10.

		Rate/Rule Submission Letter or NAIC Uniform Transmittal form must indicate the name of the section that applies.	
<b>CLAIMS MADE REQUIREMENTS</b>			
Extended reporting period (tail coverage) requirements.	<p>215 ILCS 5/143(2)</p> <p><u>Company Bulletin 88-50</u></p>	<p>When issuing claims-made medical liability insurance policies, insurers must include the following specific information in their rate/rule manuals:</p> <ul style="list-style-type: none"> <li>• Offer of an extended reporting period (tail coverage) of <u>at least</u> 12 months. The rate/rule manual must specify whether the extended reporting period is unlimited or indicate its term (i.e. number of years).***</li> <li>• Cost of the extended reporting period, which <u>must</u> be priced as a factor of one of the following:*** <ul style="list-style-type: none"> <li>○ the last 12 months' premium.</li> <li>○ the premium in effect at policy issuance.</li> <li>○ the expiring annual premium.</li> </ul> </li> <li>• List of any credits, discounts, etc. that will be added or removed when determining the final extended reporting period premium.</li> <li>• Insurer will inform the insured of the extended reporting period premium at the time the last policy is purchased. The insurer may not wait until the insured requests to purchase the extended reporting period coverage to tell the insured what the premium will be or how the premium would be calculated.</li> <li>• Insurer will offer the extended reporting period when the policy is terminated for any reason, including non-payment of premium, and whether the policy is terminated at the company's or insured's request.</li> <li>• Insurer will allow the insured 30 days after the policy is terminated to purchase the extended reporting period coverage.***</li> <li>• Insurer will trigger the claims made coverage when notice of claim is received and recorded by the insured or company, whichever comes first.</li> </ul> <p>***If the medical liability coverage is combined with other professional or general liability coverages, the medical liability insurer must meet all of the above requirements, except those indicated with ***, in which case, the insurer must:</p> <ul style="list-style-type: none"> <li>• Offer free 5-year extended reporting period (tail coverage) or</li> </ul>	<p>See Item I Reporting Period Extension Rules on page IL-7.</p> <p>See Item I, Reporting Period Extension Rules and Item J, Reporting Period Extension Factors on page IL-7.</p> <p>Nothing is listed because we do not add or remove credits or discounts in the calculation of the extended reporting period premium.</p> <p>See Item I Reporting Period Extension rules and Item J, Reporting Period Extension Factors on page IL-7.</p> <p>See Item I. Reporting Period Extension Rules and Item J, Reporting Period Extension Factors on page IL-7.</p> <p>See Item I. Reporting Period Extension Rules, Page IL-7.</p> <p>This is not applicable in this area so disregard. Spoke to Gayle Neuman on 2-28-07</p> <p>We do not include general liability or other professional coverages so this is not applicable with our company.</p>

		<ul style="list-style-type: none"> <li>• Offer an unlimited extended reporting period with the limits reinstated (100% of aggregate expiring limits for the duration)</li> <li>• Cap the premium at 200% of the annual premium of the expiring policy; and</li> <li>• Give the insured a free-60 day period after the end of the policy to request the coverage.</li> </ul>	
<b>GROUP MEDICAL LIABILITY</b>			
Group medical liability insurance is not specifically allowed under the Illinois Insurance Code.	<u>50 IL Adm. Code 906</u>	Part 906 of the Illinois Administrative Code prohibits writing of group casualty (liability) insurance unless specifically authorized by statute. The Illinois Insurance Code does not specifically authorize the writing of group medical liability insurance.	We are abiding by this rule.
<b>CANCELLATION &amp; NONRENEWAL PROVISION REQUIREMENTS</b>			
If rate/rule manuals contain language pertaining to cancellation or nonrenewal, must comply with all cancellation/nonrenewal laws.	See Medical Liability Forms Checklist for Specific Information about Illinois Cancellation & Nonrenewal Laws and Regulations,	If a rate or rule manual contains language pertaining to cancellation or nonrenewal of any medical liability insurance coverage, such provisions must comply with all cancellation and nonrenewal provisions of the Illinois Insurance Code, including but not limited to the following: 143.10, 143.16, 143.16a, 143.17a. See Medical Liability Forms Checklist for Specific Information about Illinois Cancellation & Nonrenewal Laws and Regulations,	No rate or rule in the manual contains language pertaining to cancellation or non-renewal.
<b>ACTUARIAL REVIEW REQUIREMENTS</b>			
Rates shall not be excessive, inadequate, or unfairly discriminatory.	<u>215 ILCS 5/155.18</u>	<p>In the making or use of rates pertaining to all classes of medical liability insurance, rates shall not be excessive, or inadequate, nor shall they be unfairly discriminatory.</p> <p>Rate and rule manual provisions should be defined and explained in a manner that allows the Division to ascertain whether the provision could be applied in an unfairly discriminatory manner. For example, if a rate/rule manual contains ranges of premiums or discounts, the provision must specify the criteria to determine the specific premium/discount an insured or applicant would receive.</p> <p>The Director may, by order, adjust a rate or take any other appropriate action at the conclusion of a public hearing.</p>	Rates being proposed with this filing are adequate, not excessive, and not unfairly discriminatory.
<b>PRICING</b>			

Insurers shall consider certain information when developing medical liability rates.	215 ILCS 5/155.18	<p>Consideration shall be given, to the extent applicable, to past and prospective loss experience within and outside this State, to a reasonable margin for underwriting profit and contingencies, to past and prospective expenses both countrywide and those especially applicable to Illinois, and to all other factors, including judgment factors, deemed relevant within and outside Illinois.</p> <p>Consideration may also be given in the making and use of rates to dividends, savings or unabsorbed premium deposits allowed or returned by companies to their policyholders, members or subscribers.</p> <p>The systems of expense provisions included in the rates for use by any company or group of companies may differ from those of other companies or groups of companies to reflect the operating methods of any such company or group with respect to any kind of insurance, or with respect to any subdivision or combination thereof.</p>	<p>Our own experience is shown in Exhibits 2 through Exhibit 4.</p> <p>We also relied on ISMIE's specialty and territorial relativities in Exhibit 7a and Exhibit 9.</p> <p>Our expense assumptions are shown in Exhibit 5a, 5b and 5c.</p>
<b>Minimum Premium Rules</b>			
Insurers may group or classify risks for establishing rates and minimum premiums.	215 ILCS 5/155.18	Risks may be grouped by classifications for the establishment of rates and minimum premiums.	Not applicable with this filing.
<b>Individual Risk Rating</b>			
Risks may be rated on an individual basis as long as all provisions required in Section 155.18 are met.	215 ILCS 5/155.18	Classification rates may be modified to produce rates for individual risks in accordance with rating plans which establish standards for measuring variations in hazards or expense provisions, or both. Such standards may measure any difference among risks that have a probable effect upon losses or expenses. Such classifications or modifications of classifications of risks may be established based upon size, expense, management, individual experience, location or dispersion of hazard, or any other reasonable considerations, and shall apply to all risks under the same or substantially the same circumstances or conditions. The rate for an established classification should be related generally to the anticipated loss and expense factors or the class.	Not applicable with this filing.
<b>Risk Classification</b>			
Risks may be grouped by classifications.	215 ILCS 5/155.18	Risks may be grouped by classifications for the establishment of rates and minimum premiums.	Exhibit 7b shows specialty groupings used in this filing.
Rating decisions based solely on domestic violence.	215 ILCS 5/155.22b	No insurer may that issues a property and casualty policy may use the fact that an applicant or insured incurred bodily injury as a result of a battery committed against him/her by a spouse or person in the same household as a sole reason for a rating decision.	Not applicable with this filing. Domestic violence considerations are not part of our rating plan.

Unfair methods of competition or unfair or deceptive acts or practices defined.	<u>215 ILCS 5/424(3)</u>	It is an unfair method of competition or unfair and deceptive act or practice if a company makes or permits any unfair discrimination between individuals or risks of the same class or of essentially the same hazard and expense element because of the race, color, religion, or national origin of such insurance risks or applicants.	Not applicable with this filing. Our rating plan does not unfairly discriminate as defined by statute.
Procedure as to unfair methods of competition or unfair or deceptive acts or practices not defined.	<u>215 ILCS 5/429</u>	Outlines the procedures the Director follows when he has reason to believe that a company is engaging in unfair methods of competition or unfair or deceptive acts or practices.	Not applicable.
<b>Territorial Definitions</b>			
Rate/rule manuals must contain correct and adequate definitions of Illinois territories.	<u>215 ILCS 5/155.18</u>	When an insurer's rate/rule program includes differing territories within the State of Illinois, rate/rule manuals must contain correct and adequate definitions of those territories, and that all references to the territories or definitions are accurate, so the Division does not need to request additional information.	Page IL-1 of the Illinois exception manual.
<b>ACTUARIAL SUPPORT INFORMATION REQUIRED</b>			
<b>ACTUARIAL CERTIFICATION</b>			
Actuarial certification must accompany all rate filings and all rule filings that affect rates.	<u>215 ILCS 5/155.18</u> <u>50 IL Adm. Code 929</u> <u>Actuarial Certification Form</u>	Every rate and/or rating rule filing must include a certification by an officer of the company <u>and</u> a qualified actuary that the company's rates and/or rules are based on sound actuarial principles and are not inconsistent with the company's experience.  Insurers may use their own form or may use the sample form created by the Division.	Included with this filing.
<b>ACTUARIAL OR STATISTICAL INFORMATION</b>			
Director may request actuarial and statistical information.	<u>215 ILCS 5/155.18</u> <u>50 IL Adm. Code 929</u>	The Director may require the filing of statistical data and any other pertinent information necessary to determine the manner of promulgation and the acceptability or unacceptability of a filing for rules, minimum premiums, rates, forms or any combination thereof.  If the Director requests information or statistical data to determine the manner the insurer used to set the filed rates and/or to determine the reasonableness of those rates, as well as the manner of promulgation and the acceptability or unacceptability of a filing for rules, minimum premiums, or any combination thereof, the insurer shall provide such data or information within 14 calendar days of the Director's request.	Not applicable with this filing.
<b>EXPLANATORY MEMORANDUM</b>			
Insurers shall include actuarial explanatory	<u>215 ILCS 5/155.18</u>	Insurers shall include actuarial explanatory memorandum with any rate filing, as well as any	Actuarial Memorandum

memorandum with any rate filing, as well as any rule filing that affects the ultimate premium.	<u>50 IL Adm. Code 929</u>	rule filing that affects the ultimate premium. The explanatory memorandum shall contain, at minimum, the following information: <ul style="list-style-type: none"> <li>• Explanation of ratemaking methodologies.</li> <li>• Explanations of specific changes included in the filing.</li> <li>• Narrative that will assist in understanding the filing.</li> </ul>	included.
<b>Summary of Effects Exhibit</b>			
Insurers shall include an exhibit illustrating the effect of each change and calculation indicating how the final effect was derived.	<u>215 ILCS 5/155.18</u> <u>50 IL Adm. Code 929</u>	Insurers shall include an exhibit illustrating the effect of each individual change being made in the filing (e.g. territorial base rates, classification factor changes, number of exposures affected by each change being made, etc.), and include a supporting calculation indicating how the final effect was derived.	Exhibit 1.
<b>Actuarial Indication</b>			
Insurers shall include actuarial support justifying the overall changes being made.	<u>215 ILCS 5/155.18</u> <u>50 IL Adm. Code 929</u>	Insurers shall include actuarial support justifying the overall changes being made, including but not limited to: <ul style="list-style-type: none"> <li>• Pure premiums (if used).</li> <li>• Earned premiums.</li> <li>• Incurred losses.</li> <li>• Loss development factors.</li> <li>• Trend factors.</li> <li>• On-Level factors.</li> <li>• Permissible loss ratios, etc.</li> </ul>	Exhibit 2 through 6b.
<b>Loss Development Factors and Analysis</b>			
Insurers shall include support for loss development factors and analysis.	<u>215 ILCS 5/155.18</u> <u>50 IL Adm. Code 929</u>	Insurers shall include actuarial support for loss development factors and analysis, including but not limited to loss triangles and selected factors, as well as support for the selected factors.	Exhibit 3b-1 through 3c-1.
<b>Ultimate Loss Selections</b>			
Insurers shall include support for ultimate loss selections.	<u>215 ILCS 5/155.18</u> <u>50 IL Adm. Code 929</u>	Insurers shall include support for ultimate loss selections, including an explanation of selected losses if results from various methods differ significantly.	Exhibit 3a and footnotes plus actuarial memorandum.
<b>Trend Factors and Analysis</b>			
Insurers shall include support for trend factors and analysis.	<u>215 ILCS 5/155.18</u> <u>50 IL Adm. Code 929</u>	Insurers shall include support for trend factors and analysis, including loss and premium trend exhibits demonstrating the basis for the selections used.	Exhibit 4.
<b>On-Level Factors and Analysis</b>			
Insurers shall include support for on-level factors and analysis.	<u>215 ILCS 5/155.18</u> <u>50 IL Adm. Code 929</u>	Insurers shall include support for on-level factors and analysis, including exhibits providing on-level factors and past rate changes included in calculations.	Exhibit 12.
<b>Loss Adjustment</b>			

<b>Expenses</b>			
Insurers shall include support for loss adjustment expenses.	215 ILCS 5/155.18  50 IL Adm. Code 929	Insurers shall include support for loss adjustment expenses, including exhibits providing documentation to support factors used for ALAE and ULAE. If ALAE is included in loss development analysis, no additional ALAE exhibit is required.	ALAE included in development Exhibit 3b through 3c. ULAE shown in Exhibit 5c.
<b>Expense Exhibit</b>			
Insurers shall include an expense exhibit.  Insurers may use expense provisions that differ from those of other companies or groups of companies.	215 ILCS 5/155.18  50 IL Adm. Code 929	Insurers shall include an exhibit indicating all expenses used in the calculation of the permissible loss ratio, including explanations and support for selections.  The systems of expense provisions included in the rates for use by any company or group of companies may differ from those of other companies or groups of companies to reflect the operating methods of any such company or group with respect to any kind of insurance, or with respect to any subdivision or combination thereof.	Exhibit 5c.
<b>Investment Income Calculation</b>			
Insurers shall include an exhibit for investment income calculation.	215 ILCS 5/155.18  50 IL Adm. Code 929	Insurers shall include an exhibit demonstrating the calculation for the investment income factor used in the indication.	Exhibit 6b.
<b>Profit and Contingencies Calculation</b>			
Insurers shall include an exhibit for profit and contingencies load.	215 ILCS 5/155.18  50 IL Adm. Code 929	Insurers shall include an exhibit illustrating the derivation of any profit and contingencies load.	Exhibit 11.
<b>Credibility Standard Used</b>			
Insurers shall include the number of claims being used to calculate the credibility factor.	215 ILCS 5/155.18  50 IL Adm. Code 929	Insurers should include the number of claims being used to calculate the credibility factor. If another method of calculating credibility is utilized, insurers should include a description of the method used.	$Z = P / (P + K)$ as indicated in actuarial memorandum.
<b>Other Actuarial Information Required</b>			
Insurers must include the information described in this section.	215 ILCS 5/155.18  50 IL Adm. Code 929	Insurers shall also include the following information: <ul style="list-style-type: none"> <li>All actuarial support/justification for all rates being changed, including but not limited to changes in: <ul style="list-style-type: none"> <li>Base rates;</li> <li>Territory definitions;</li> <li>Territory factor changes;</li> <li>Classification factor changes;</li> <li>Classification definition changes;</li> <li>Changes to schedule credits/debits, etc.</li> </ul> </li> <li>Exhibits containing current and proposed rates/factors for all rates and classification factors, etc. being changed.</li> </ul>	Exhibit 7a and Exhibit 9.

		<ul style="list-style-type: none"> <li>Any exhibits necessary to support the filing that are not mentioned elsewhere in this checklist.</li> </ul>	
<b>Schedule Rating</b>			
Insurers must include the described information described at right.	<u>215 ILCS 5/155.18</u> <u>50 IL Adm. Code 929</u>	Insurers should include appropriate actuarial justification when filing schedule rating plans and/or changes to schedule rating plans.	Not applicable with this filing.

## Property &amp; Casualty Transmittal Document

<b>1. Reserved for Insurance Dept. Use Only</b>	<b>2. Insurance Department Use only</b>	
	a. Date the filing is received:	
	b. Analyst:	
	c. Disposition:	
	d. Date of disposition of the filing:	
	e. Effective date of filing:	
	New Business	
	Renewal Business	
	f. State Filing #:	
g. SERFF Filing #:		
h. Subject Codes		

<b>3. Group Name</b>	APCapital Group, Inc.				<b>Group NAIC #</b>	0966
<b>4. Company Name(s)</b>	<b>Domicile</b>	<b>NAIC #</b>	<b>FEIN #</b>	<b>State #</b>		
American Physicians Assurance Corp	Michigan	33006	38-2102867	967543-51		

<b>5. Company Tracking Number</b>	IL-2007-01
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## Contact Info of Filer(s) or Corporate Officer(s) [include toll-free number]

<b>6. Name and address</b>	<b>Title</b>	<b>Telephone #s</b>	<b>FAX #</b>	<b>e-mail</b>
Patty Edgington, 1301 N. Hagadorn Rd., PO Box 1471, East Lansing, MI 48826-1471	Compliance Manager	800-748-0465, extension 6849 or 517-324-6849	517-333-8232	pedgington@apcapital.com
<b>7. Signature of authorized filer</b>		<i>Patty Edgington</i>		
<b>8. Please print name of authorized filer</b>		Patty Edgington		

## Filing information (see General Instructions for descriptions of these fields)

<b>9. Type of Insurance (TOI)</b>	Medical Malpractice 11.000
<b>10. Sub-Type of Insurance (Sub-TOI)</b>	Claims-Made 11.10000
<b>11. State Specific Product code(s)(if applicable)[See State Specific Requirements]</b>	Physicians and Surgeons Code 11.0023
<b>12. Company Program Title (Marketing title)</b>	Health Care Providers Professional Liability Program
<b>13. Filing Type</b>	<input type="checkbox"/> Rate/Loss Cost <input type="checkbox"/> Rules <input checked="" type="checkbox"/> Rates/Rules <input type="checkbox"/> Forms <input type="checkbox"/> Combination Rates/Rules/Forms <input type="checkbox"/> Withdrawal <input type="checkbox"/> Other (give description)
<b>14. Effective Date(s) Requested</b>	New: 3-1-07      Renewal: 3-1-07
<b>15. Reference Filing?</b>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>16. Reference Organization (if applicable)</b>	N/A
<b>17. Reference Organization # &amp; Title</b>	N/A
<b>18. Company's Date of Filing</b>	2-28-07
<b>19. Status of filing in domicile</b>	<input type="checkbox"/> Not Filed <input type="checkbox"/> Pending <input checked="" type="checkbox"/> Authorized <input type="checkbox"/> Disapproved

## Property & Casualty Transmittal Document—

<b>20.</b>	<b>This filing transmittal is part of Company Tracking #</b>	<b>IL-2007-01</b>
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<b>21.</b>	<b>Filing Description</b> [This area can be used in lieu of a cover letter or filing memorandum and is free-form text]
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American Physicians Assurance Corporation wishes to place on file the attached revisions to its Health Care Providers Professional Liability Program (HCP-PL) effective March 1, 2007. The proposed rates with this filing are adequate, not excessive, and not unfairly discriminatory and results in an overall -14% rate decrease. A completed checklist for rate/rule filings is attached with each area carefully reviewed and the right column completed accordingly. All changes are being disclosed in the updated manual pages, the NAIC transmittal form, and referenced in the submission cover letter. The following is an outline of the changes included in the Illinois revised rate/rule exception manual (pages IL-1 through IL-10) effective March 1, 2007:

1. Base rates have been decreased by -13.7%.
2. Numerous specialty relativities have been revised.
3. Territorial relativities have been revised.
4. A new territory has been created for Peoria county.
5. The aggregate limit has been increased so the manual pages have been changed in all areas that the old aggregate limits were referenced.
6. The corporation charge has been changed from a flat charge of 15.0% to a sliding scale charge.
7. The charge for vicarious liability has been changed to 0%.
8. The reporting period extension rules have been updated and clarified to comply with the rate / rule check list.

Attached with this filing include duplicate copies of the submission cover letter and the completed NAIC transmittal forms, complete copies of the manual pages including a highlighted version noting the changes and a final draft and a self-addressed stamped envelope to return an approved copy to my attention.

Duplicate copies of RF-3 are attached. Also attached is the signed actuarial certification form, the actuarial memorandum, and the completed rate rule checklist.

<b>22.</b>	<b>Filing Fees</b> (Filer must provide check # and fee amount if applicable) [If a state requires you to show how you calculated your filing fees, place that calculation below]
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**Check #: N/A**  
**Amount:**

**Refer to each state's checklist for additional state specific requirements or instructions on calculating fees.**

**\*\*\*Refer to the each state's checklist for additional state specific requirements (i.e. # of additional copies required, other state specific forms, etc.)**

**RATE/RULE FILING SCHEDULE**

(This form must be provided ONLY when making a filing that includes rate-related items such as Rate; Rule; Rate & Rule; Reference; Loss Cost; Loss Cost & Rule or Rate, etc.)

(Do not refer to the body of the filing for the component/exhibit listing, unless allowed by state.)

1. This filing transmittal is part of Company Tracking # **IL-2007-01**

2. This filing corresponds to form filing number **N/A**  
(Company tracking number of form filing, if applicable)

☐ Rate Increase      x      Rate Decrease      ☐ Rate Neutral (0%)

3. Filing Method (Prior Approval, File & Use, Flex Band, etc.) **File and Use**

4a. Rate Change by Company (As Proposed)

Company Name	Overall % Indicated Change (when applicable)	Overall % Rate Impact	Written premium change for this program	# of policyholders affected for this program	Written premium for this program	Maximum % Change (where required)	Minimum % Change (where required)
American Physicians Assurance Corporation	-14.0%	-14.0%	-7,635,002	1,438	54,535,726	7.1%	-27.1%

4b. Rate Change by Company (As Accepted) For State Use Only

Company Name	Overall % Indicated Change (when applicable)	Overall % Rate Impact	Written premium change for this program	# of policyholders affected for this program	Written premium for this program	Maximum % Change	Minimum % Change

**5. Overall Rate Information (Complete for Multiple Company Filings only)**

		COMPANY USE	STATE USE
5a	Overall percentage rate indication (when applicable)	-14.0%	
5b	Overall percentage rate impact for this filing	-14.0%	
5c	Effect of Rate Filing – Written premium change for this program	-7,635,002	
5d	Effect of Rate Filing – Number of policyholders affected	1,438	

6.	Overall percentage of last rate revision	9.0%
7.	Effective Date of last rate revision	4/1/05
8.	Filing Method of Last filing (Prior Approval, File & Use, Flex Band, etc.)	File and Use

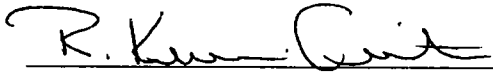
9.	Rule # or Page # Submitted for Review	Replacement or withdrawn?	Previous state filing number, if required by state
01	Pages IL-1 through pages IL-10	[ ] New [x] Replacement [ ] Withdrawn	IL-05-11
02		[ ] New [ ] Replacement [ ] Withdrawn	

ILLINOIS CERTIFICATION FOR  
MEDICAL MALPRACTICE RATES

**(215 ILCS 5/155.18)(3) states that medical liability rates shall be certified in such filing by an officer of the company and a qualified actuary that the company's rates are based on sound actuarial principles and are not inconsistent with the company's experience.**

I, R. Kevin Clinton, a duly authorized officer of, American Physicians Assurance Corporation, am authorized to certify on behalf of the Company making this filing that the company's rates are based on sound actuarial principles and are not inconsistent with the Company's experience, and that I am knowledgeable of the laws, regulations and bulletins applicable to the policy rates that are the subject of this filing.

I, Kevin M. Dyke, FCAS, MAAA, a duly authorized actuary of, American Physicians Assurance Corporation, am authorized to certify on behalf of American Physicians Assurance Corporation making this filing that the Company's rates are based on sound actuarial principles and are not inconsistent with the company's experience, and that I am knowledgeable of the laws, regulations and bulletins applicable to the policy rates that are the subject of this filing.



Signature and Title of Authorized Insurance Company Officer

2/22/07

Date

R. Kevin Clinton, President/CEO



Signature, Title and Designation of Authorized Actuary

2/22/2007

Date

Kevin M. Dyke, FCAS, MAAA, Chief Actuary

Insurance Company FEIN: 38-2102867

Filing Number: IL-2007-01

Insurers' Address: 1301 N. Hagadorn Road, PO Box 1471

City: East Lansing

State: MI

Zip Code: 48826-1471

Contact Person Information:

Name and e-mail: Patty Edgington, Compliance Manager [pedgington@apassurance.com](mailto:pedgington@apassurance.com)

Telephone Number: 517-324-6849 Fax: 517-333-8232

## ILLINOIS SUMMARY SHEET

### FORM RF-3

Change in Company's premium or rate level produced by rate revision effective: 3-1-07

(1) Coverage	(2) Annual Premium Volume (Illinois)*	(3) Percent Change (+ or -)**
1. Automobile Liability		
Private Passenger		
Commercial		
2. Automobile Physical Damage		
Private Passenger		
Commercial		
3. Liability Other than Auto		
4. Burglary and Theft		
5. Glass		
6. Fidelity		
7. Surety		
8. Boiler and Machinery		
9. Fire		
10. Extended Coverage		
11. Inland Marine		
12. Homeowners		
13. Commercial Multi-Peril		
14. Crop Hail		
15. Workers Compensation		
16. <u>Other: Medical Malpractice</u>	54,535,726 estimated	-14.0%
Line of Insurance		

Does filing only apply to certain territory (territories or certain classes? If so, specify: N/A

Brief description of filing (if filing follows rates of an advisory organization, specify organization):

This filing revises our specialty rates, territorial plan, increased limits aggregates, professional corporation charges, vicarious limit charges, and updates the manual to be in complete compliance with the rate/rule filing checklist.

\* Adjusted to reflect all prior rate changes.

\*\* Change in Company's premium level which will result from application of new rates.

American Physicians Assurance Corporation

Name of Company

*Patty Edgington*

Patty Edgington, Compliance Manager

## American Physicians Assurance Corporation

### Medical Professional Liability – Illinois

#### Actuarial Memorandum

With this filing, the American Physicians Assurance Corporation (American Physicians) revises its medical professional liability specialty rates, territorial plan, increased limits aggregates and professional corporation charge resulting in an overall premium level decrease of (-) 14.0%. The requested effective date for all these changes is March 1, 2007.

#### **Rate Change by Component**

The rate changes by component are shown in Exhibit 1. The base rate for Family/General Practitioners – No Surgery is decreasing by (-)13.7%. Changes are also being proposed for individual specialty and territory relativities. Finally, we are proposing an increase the increased limit aggregates. Exhibits 7a, 7b and 9 show the indicated experience by specialty and territory respectively. The effect of changing our professional corporation charge from a flat charge of 15.0% to a sliding scale charge is shown in Exhibit 10.

#### **Statewide Rate Level Indication**

We analyzed the historical claims-made indemnity loss and allocated loss adjustment experience for our physicians and surgeons program as of September 30, 2006. Indemnity losses were capped to \$1,000,000 per claim due to the limited credibility of experience above \$1,000,000. As of September 30, 2006, less than 2.5% of our Illinois policies are at \$2,000,000 per claim. Exhibit 2 shows our compiled claims made experience capped at \$1M for the 1999-2005 report year period. Premiums limited to \$1M were converted to current manual rate level (rates that became effective April 1, 2005) and current underwriting discounts. Incurred losses including ALAE were projected to ultimate using paid development, reported development, counts times averages, Bornhutter-Ferguson and Berquest-Sherman methods. These methods are generally accepted actuarial methods of

projecting losses and ALAE to ultimate. A summary of all the methods can be seen on Exhibit 3a. The triangles and historical development factors can be seen on Exhibits 3b and 3c. The projected loss ratio was trended by a factor of +6.5%. We based our selection of this trend factor by fitting exponential trend lines to the projected ultimate loss plus ALAE ratios over the three year period 2003-2005, the four year period 2002-2005, the five year period 2001-2005 and the six year period 2000-2005 (Exhibit 4).

This adjusted, trended and projected loss ratio was compared with our target loss ratio to calculate the indicated premium level change. The target loss ratio was based on American Physicians' budgeted expense and profit load of 35.5% (as detailed on Exhibit 5a), which was offset for expected investment income to produce a target loss plus LAE ratio of 78.4%, for the overall book of business. Historical expense ratios are shown in Exhibit 5b and 5c. American Physicians' payout pattern for claims made in Illinois is included on Exhibits 6a and 6b. We have assumed an investment return of 4.52% per year in this analysis.

### **Specialty Changes**

For each specialty group, we analyzed the experience historical claims-made indemnity loss and allocated loss adjustment experience for our physicians and surgeons program as of September 30, 2006 for the 11 year period 1996 through 2006. Indemnity losses were capped at \$1,000,000 per claim to limit the effect of any single claim on the indicated relativities. Allocated loss adjustment expense (ALAE) were not capped or prorated based on the capping procedure for indemnity. Premiums limited to \$1 M were converted to current manual rate level (rates that became effective April 1, 2005) and discounted for the projected underwriting discounts. Incurred losses capped to \$1M plus ALAE were projected to ultimate using supplemental case reserve factors derived from the overall state analysis. The resulting loss ratios by specialty were trended to the projected cost level for policies to be written 3/1/07 to 2/28/08.

For each specialty group, the resulting loss ratios was compared with our target loss ratio to calculate the indicated premium level change which is labeled as "Indicated Raw Rate

Change” column 3 on Exhibit 7a. The weighted rate (i.e. group rate) in column 4 is the exposure weighted average of all the specialty rates within its group. For those cases where the total exposure for a specialty group is zero, a straight average is used. These calculations are depicted in greater detail in Exhibit 7b.

The current relativity is multiplied by  $(1 + \text{Indicated Specialty Rate Change}) / (1 + \text{Indicated Specialty Rate Change for Family/General Practice-420})$  to calculate the “Indicated Raw Spec Wgtd. Rel. to 420” column 6 on Exhibit 7a.

The raw credibility shown on column 8 uses the following credibility formula:

$$\text{Credibility} = P / (P + K)$$

Where,

P = Manual Earned Premium at Current Rate Level

K = \$20,000,000

The indicated relativities shown on column 12 are based on the three-way credibility of the current relativity (column 5), APA’s relativity indication (column 6) and ISMIE relativities (column 7). The base rate (Family/General Practice No Surgery, Specialty 420) change under the proposed territory 1 shown in Exhibit 7a represents a decrease of -13.7% over the current territory 1 average rate. The change in specialty relativities is -2.3%. The estimated impact of base rate and specialty relativity changes is -15.7%. Exhibit 8 illustrates the combined effect for each specialty.

### **Territorial Changes**

We currently are using six territorial rating areas in Illinois. With this filing we are moving Peoria County from territory 6 to territory 7.

For each proposed territory, we analyzed the experience historical claims-made indemnity loss and allocated loss adjustment experience for our physicians and surgeons program as of September 30, 2006 for the 11 year period 1996 through 2006. Indemnity losses were capped at \$1,000,000 per claim to limit the effect of any single claim on the indicated relativities. Allocated loss adjustment expense (ALAE) were not capped or prorated based on the capping procedure for indemnity. Premiums limited to \$1 M were converted to current manual rate level (rates that became effective April 1, 2005) and discounted for the projected underwriting discounts. Incurred losses capped to \$1M plus ALAE were projected to ultimate using supplemental case reserve factors derived from the overall state analysis. The resulting loss ratios by proposed territory were trended to the projected cost level for policies to be written 3/1/07 to 2/28/08.

For each proposed territory, the resulting loss ratios was compared with our target loss ratio to calculate the indicated premium level change which is labeled as “Indicated Raw Territory Rate Change” column 4 on Exhibit 9. The current relativity is multiplied by  $(1 + \text{Indicated Territory Rate Change}) / (1 + \text{Indicated Territory 1 Rate Change})$  to calculate the “Indicated Raw Relativity to Territory 1 shown in Exhibit 9, Column 6.

The raw credibility shown on column 8 uses the following credibility formula:

$$\text{Credibility} = P / (P + K)$$

Where,

P = Manual Earned Premium at Current Rate Level

K = \$20,000,000

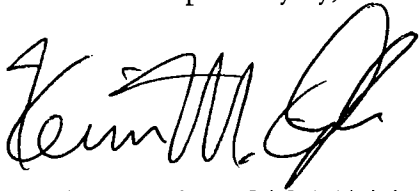
The indicated relativities shown on column 12 are based on the three-way credibility of the current relativity (column 5), APA’s relativity indication (column 6) and ISMIE relativities (column 7). The final territorial relativity selection is shown in Exhibit 9, Column 14. The estimated impact of this change is +2.0%.

## **Professional Corporation Charge**

We propose to modify our professional corporation charge from the current uniform charge of 15.0% to a graduated charge. The proposed charge shown in Exhibit 10 will vary by the number of insureds.

The estimated impact of this change is 0.0%.

Submitted respectfully by,

A handwritten signature in black ink, appearing to read 'Kevin M. Dyke', with a stylized flourish at the end.

Kevin M. Dyke, FCAS, MAAA

Chief Actuary, Professional Liability

American Physicians Assurance Corporation

February 27, 2007

American Physician Assurance Corporation

Illinois Professional Liability

Summary of Premium Level Change

Evaluated as of 9/30/2006

Exhibit 1

Base Rate Change	-13.7%	Exhibit See Exhibit 7a, Item (1).
Specialty Changes	-2.3%	See Exhibit 7a, Item (2)
Territory Changes	2.0%	See Exhibit 9
Overall Premium Change	-14.0%	

# American Physician Assurance Corporation

## Illinois Professional Liability

Rate Indication - Claims Made Experience

Evaluated as of 9/30/2006

(000's omitted)

## Exhibit 2

Report Year	(1) On-Level, Ea. Prem at CDL	(2) Reported Loss + ALAE	(3) Proj'd Ult. Loss + ALAE	(4) Trend Period	(5) Trend Factor	(6) Trended Proj'd Ult. Loss + ALAE	(7) Trended Proj'd Ult. Ratios
1999	38,869	11,810	12,283	8.67	1.726	21,199	54.5%
2000	47,193	15,104	15,104	7.67	1.621	24,478	51.9%
2001	54,451	24,444	21,535	6.67	1.522	32,770	60.2%
2002	68,988	37,581	31,012	5.67	1.429	44,311	64.2%
2003	70,217	40,059	35,466	4.67	1.342	47,582	67.8%
2004	63,955	40,342	33,381	3.67	1.260	42,051	65.8%
2005	51,100	26,833	27,841	2.67	1.183	32,932	64.4%
1999-2005	394,773	196,174	176,620		1.389	245,322	62.1%

Trended Projected Ultimate LALAE Ratio at Current Manual Rate Level

ULAE Load

Adjusted Trended Projected Ultimate LALAE Ratio at Current Actual Rate Level

Target LALAE Ratio

Indicated Premium Level Change

Selected Premium Level Change

### Note:

(1)	Exhibit 12, Column 7	(a)	Total (7)
(2)	Exhibit 3a, Column 2	(b)	Exhibit 5c, Item (5)
(3)	Exhibit 3a, Column 15	(c)	(a) x { 1 + (b) }
(5)	Exhibit 4, Item (1)	(d)	Exhibit 5a, Line k.
(6)	(3) x (5)	(e)	(c) / (d) - 1.0
(7)	(6) / (1)		

**American Physician Assurance Corporation**  
**Illinois Professional Liability**  
 Loss plus ALAE @ 9/30/2006  
 ('000's omitted)

Exhibit 3a

**Claims Made**

Year	(1) Paid	(2) Reported	(3) Paid Method	(4) Reported Method	(5) Preliminary Selected	(6) Projected CWA	(7) Implied Ultimate Severity	(8) 1999 - 2004 Fitted Severity	(9) Cnts X Avg Method (BF Seed)	(10) LDF <sub>pd</sub>	(11) BF Paid Method	(12) LDF <sub>rep</sub>	(13) BF Rep Method	(14) B&S Reported Method	(15) Selected Projection	(16) Selected Severity
1999	10,985	11,810	12,283	11,810	12,047	131	91,958	105,480	13,818	1.118	12,445	1.000	11,810	12,971	12,283	93,760
2000	13,772	15,104	16,394	15,104	15,749	121	130,155	110,750	13,401	1.190	15,915	1.000	15,104	16,681	15,104	124,825
2001	16,351	24,444	21,655	23,813	22,734	182	124,911	116,284	21,164	1.324	21,535	0.974	23,883	24,010	21,535	118,323
2002	14,743	37,581	24,558	35,958	30,258	254	119,127	122,094	31,012	1.666	27,137	0.957	36,181	34,122	31,012	122,094
2003	11,170	40,059	24,745	35,599	32,343	286	113,088	128,194	36,663	2.215	31,283	0.889	35,466	32,774	35,466	124,007
2004	4,962	40,342	19,918	39,068	35,238	248	142,087	134,599	33,381	4.014	30,027	0.968	39,253	32,001	33,381	134,599
2005	1,603	26,833	16,551	32,880	31,247	197	158,612	141,324	27,841	10.328	26,748	1.225	31,953	22,327	27,841	141,324
<b>Total 99-05</b>	<b>73,586</b>	<b>196,174</b>	<b>136,104</b>	<b>194,232</b>	<b>179,615</b>	<b>1,419</b>			<b>177,279</b>		<b>165,090</b>		<b>193,651</b>	<b>174,885</b>	<b>176,620</b>	

Notes:

(1)	Exhibit 3b-2	(7)	1,000 x (5) / (6)	(13)	(2) + (9) x { 1.0 + 1.0 / (12) }
(2)	Exhibit 3b-1	(8)	Exponential fit based on 1999 - 2004	(14)	Exhibit 3b-3
(3)	Exhibit 3b-2	(9)	(6) x (8) / 1,000	(15)	Actuarial Judgment
(4)	Exhibit 3b-1	(10)	Exhibit 3b-2	(16)	1,000 x (15) / (6)
(5)	Actuarial Judgment	(11)	(1) + (9) x { 1.0 + 1.0 / (10) }		
(6)	Exhibit 3c-1	(12)	Exhibit 3b-1		

**American Physician Assurance Corporation**  
**Illinois Professional Liability**  
(000's omitted)

Exhibit 3b-1

**Case Incurred Loss plus ALAE @ 9/30/2006**

Year	9	21	33	45	57	69	81	93	105	117	129
1996	87	112	375	365	365	365	365	365	365	365	365
1997	1,193	953	1,129	1,681	1,156	902	1,384	1,384	1,409	1,434	
1998	4,353	6,259	6,582	5,165	4,917	6,750	6,576	6,278	6,113		
1999	3,946	8,044	9,675	11,182	12,708	12,020	11,345	11,810			
2000	4,936	10,722	15,459	15,685	15,530	15,659	15,104				
2001	9,039	20,787	21,978	30,047	26,547	24,444					
2002	13,613	27,636	38,039	42,255	37,581						
2003	17,356	34,701	42,615	40,059							
2004	14,030	31,368	40,342								
2005	12,965	26,833									
2006	6,877										
All Yr/Vol Wtd	1,540	1,253	1,078	0,929	0,982	0,974	1,009	0,982	1,014	1,000	
5 Yr/Vol Wtd	1,582	1,265	1,090	0,932	0,982	0,974					
3 Yr/Vol Wtd	1,571	1,291	1,095	0,905	0,951	0,959	1,009	0,982			
Select	1,571	1,265	1,090	0,929	0,982	0,974	1,000	1,000	1,000	1,000	
Cumulative	1,925	1,225	0,968	0,889	0,957	0,974	1,000	1,000	1,000	1,000	
Actual	6,877	26,833	40,342	40,059	37,581	24,444	15,104	11,810	6,113	1,434	365
Proj'd Ultimate	13,239	32,880	39,068	35,599	35,958	23,813	15,104	11,810	6,113	1,434	365

**American Physician Assurance Corporation**  
**Illinois Professional Liability**  
(000's omitted)

Exhibit 3b-2

**Paid Indemnity Loss Capped to \$1M plus ALAE - Evaluated at 9/30/2006**

Year	9	21	33	EVALUATED AS OF (in months)											
				45	57	69	81	93	105	117	129				
1996	3	24	365	365	365	365	365	365	365	365	365				
1997	14	72	788	839	860	865	867	881	894	927	365				
1998	49	405	1,676	3,066	3,672	3,829	4,114	5,917	6,068						
1999	92	668	2,139	4,433	8,218	10,821	10,954	10,985							
2000	88	1,468	4,902	10,137	10,637	13,579	13,772								
2001	308	1,442	6,026	8,380	12,745	16,351									
2002	158	2,373	5,222	11,310	14,743										
2003	294	3,198	6,308	11,170											
2004	270	2,176	4,962												
2005	173	1,603													
2006	99														
All Yr/Vol Wtd	6.949	2.739	1.812	1.330	1.255	1.021	1.113	1.023	1.026	1.000					
5 Yr/Vol Wtd	6.732	2.573	1.847	1.340	1.258	1.021									
3 Yr/Vol Wtd	7.103	2.129	1.758	1.278	1.290	1.022	1.116	1.023							
Select	6.949	2.573	1.812	1.330	1.258	1.113	1.065	1.039	1.024	1.000					
Cumulative	71.772	10.328	4.014	2.215	1.666	1.324	1.190	1.118	1.076	1.051	1.051				
Actual	99	1,603	4,962	11,170	14,743	16,351	13,772	10,985	6,068	927	365				
Proj'd Ultimate	7,134	16,551	19,918	24,745	24,558	21,655	16,394	12,283	6,531	975	384				

**American Physician Assurance Corporation**  
**Illinois Professional Liability**  
(000's omitted)

Exhibit 3b-3

**B&S Adjustment - Case Incurred Indemnity Loss Capped to \$1M plus ALAE - Evaluated at 9/30/2006**

Year	EVALUATED AS OF (in months)											
	9	21	33	45	57	69	81	93	105	117	129	
1996	327	349	603	365	365	365	365	365	365	365	365	365
1997	541	1,894	2,486	1,457	1,641	1,332	1,285	1,146	939	1,434		
1998	3,278	6,995	8,107	8,740	8,847	7,642	7,100	7,805	6,113			
1999	6,062	14,110	19,045	21,797	15,120	14,711	12,260	11,810				
2000	6,737	19,398	19,315	17,680	16,022	16,554	15,104					
2001	10,016	25,469	28,077	29,790	28,376	24,444						
2002	14,866	37,305	42,978	39,973	37,581							
2003	16,484	44,798	44,273	40,059								
2004	17,845	39,851	40,342									
2005	11,377	26,833										
2006	6,877											
All Yr/Vol Wtd	1,859	1,079	0,970	0,901	0,924	0,889	1,006	0,796	1,380	1,000		
5 Yr/Vol Wtd	1,851	1,049	0,971	0,898	0,924	0,889						
3 Yr/Vol Wtd	1,829	1,046	0,952	0,938	0,936	0,886	1,006	0,796				
Select	1,851	1,049	0,970	0,901	0,924	0,889	1,006	0,796	1,380	1,000		
Cumulative	1,541	0,832	0,793	0,818	0,908	0,982	1,104	1,098	1,380	1,000	1,000	
Actual	6,877	26,833	40,342	40,059	37,581	24,444	15,104	11,810	6,113	1,434	365	
Proj'd Ultimate	10,595	22,327	32,001	32,774	34,122	24,010	16,681	12,971	8,433	1,434	365	

**American Physician Assurance Corporation**  
**Illinois Professional Liability**  
(000's omitted)

**Exhibit 3c-1**

**Closed with Amount @ 9/30/2006**

Year	9	21	33	45	57	69	81	93	105	117	129
1996	-	4	5	6	6	6	6	6	6	6	6
1997	-	6	10	15	15	16	16	16	16	16	16
1998	1	19	36	44	49	54	55	55	61		
1999	9	53	66	80	117	126	131	131			
2000	6	28	71	101	111	118	121				
2001	6	61	108	129	156	177					
2002	3	118	158	194	225						
2003	22	114	160	213							
2004	12	113	147								
2005	16	80									
2006	14										
All Yr/Vol Wtd	5.960	1.475	1.274	1.193	1.095	1.028	1.000	1.078	1.000	1.000	
5 Yr/Vol Wtd	6.178	1.484	1.274	1.201	1.096	1.028	1.000				
3 Yr/Vol Wtd	4.605	1.348	1.258	1.160	1.096	1.030	1.000	1.078	1.000		
Select	4.605	1.475	1.274	1.193	1.096	1.028	1.000	1.000	1.000	1.000	
Cumulative	11.630	2.526	1.712	1.345	1.127	1.028	1.000	1.000	1.000	1.000	1.000
Actual	14	80	147	213	225	177	121	131	61	16	6
Proj'd Ultimate	163	202	252	286	254	182	121	131	61	16	6
2006	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
MEPCRL at \$1M	41,393	61,939	77,521	85,111	83,622	66,002	57,204	47,114	24,901	8,166	2,058
Freq	3.938	3.261	3.251	3.360	3.037	2.758	2.115	2.781	2.450	1.959	2.915
BF Seed Select	3.119										
BF % Exposure	132	197	248	281	254	183	121	131	61	16	6
SELECT	132	197	248	286	254	182	121	131	61	16	6

**American Physician Assurance Corporation**  
**Illinois Professional Liability**  
 Claims Made Experience Trend Projection

**Exhibit 4**

Report Year	Manual EP at CRL	Proj'd Ult. Loss + ALAE	Proj'd Ult. Loss + ALAE Ratio	2003 - 2005		2002 - 2005		2001 - 2005		2000 - 2005	
				Fitted* Exponential Trend Line	Fitted* Exponential Trend Line	Fitted* Exponential Trend Line	Fitted* Exponential Trend Line	Fitted* Exponential Trend Line	Fitted* Exponential Trend Line		
2000	57,204	15,104	26.4%	37.1%	33.6%	31.3%				28.6%	
2001	66,002	21,535	32.6%	38.6%	35.7%	33.8%				31.7%	
2002	83,622	31,012	37.1%	40.1%	38.0%	36.6%				35.2%	
2003	85,111	35,466	41.7%	41.6%	40.3%	39.6%				39.0%	
2004	77,521	33,381	43.1%	43.2%	42.9%	42.9%				43.2%	
2005	61,939	27,841	44.9%	44.9%	45.6%	46.4%				47.9%	
Implied Trend				3.9%	6.3%	8.2%	10.9%				
R <sup>2</sup>				0.952	0.949	0.931	0.992				
						SELECT	6.5% (1)				

## American Physician Assurance Corporation

### Illinois Professional Liability

Development of Target Loss and LAE Ratio

Exhibit 5a

	Source/formula	Illinois	Countrywide
a. Commissions and brokerage	Exhibit 5b, Item (1)	8.5%	7.2%
b. Tax/licenses/fees	Exhibit 5b, Item (2)	1.2%	1.5%
c. Other acquisition expenses	Exhibit 5c, Item (3)	4.4%	4.4%
d. General expenses	Exhibit 5c, Item (4)	6.4%	6.4%
e. DDR Load		5.0%	5.0%
f. Profit provision	Exhibit 11	10.0%	10.0%
g. Total expenses excluding LAE		<u>35.5%</u>	<u>34.5%</u>
h. Expected loss and LAE ratio	1 - expenses	64.5%	65.5%
i. Present Value Factor*	Exhibit 6a, Item (1)	0.823	
j. Investment income offset	(k) - (h)	13.9%	
k. <b>Target loss and LAE ratio</b>	(h) / (i)	<u><u>78.4%</u></u>	

\* Discount rate = 4.52%

**American Physician Assurance Corporation**  
**Illinois Professional Liability**

Calendar Year Loss and Expense Ratios

Annual Statement Page 24 - Statutory Page 14 Data

Exhibit 5b

**Company-Specific Results (APAssurance & APSpecialty)**

Company State	(Multiple Items) Illinois	2001 and prior includes APSpecialty data						
		Year						Grand Total
Data		2000	2001	2002	2003	2004	2005	
DPW		15,800	21,867	35,499	54,108	55,439	54,536	237,248
DPE		14,591	16,664	29,336	45,510	54,560	52,423	213,084
Paid Loss		2,811	1,551	6,826	12,164	8,225	12,822	44,400
Incurred Loss		13,685	13,455	19,709	43,541	49,163	43,947	183,501
Paid ALAE		1,354	1,843	3,081	4,437	6,804	8,913	26,431
Incurred ALAE		3,825	6,363	6,373	8,962	13,620	14,420	53,563
Comm & Broker		1,673	2,059	3,425	4,995	4,693	4,327	21,172
Tax License Fees		205	256	532	441	973	628	3,034
Loss Ratio		<u>2000</u> 93.8%	<u>2001</u> 80.7%	<u>2002</u> 67.2%	<u>2003</u> 95.7%	<u>2004</u> 90.1%	<u>2005</u> 83.8%	<u>6 year total</u> 86.1%
ALAE Ratio		26.2%	38.2%	21.7%	19.7%	25.0%	27.5%	25.1%
LALAE Ratio		120.0%	118.9%	88.9%	115.4%	115.1%	111.3%	111.3%
Comm%		10.6%	9.4%	9.6%	9.2%	8.5%	7.9%	8.9%
TLP%		1.3%	1.2%	1.5%	0.8%	1.8%	1.2%	1.3%
								<u>Illinois</u> <u>Selected</u>
								<u>3 year total</u> 89.6%
								24.3%
								113.9%
								8.5%
								1.2%

# American Physician Assurance Corporation

Illinois Professional Liability  
Insurance Expense Exhibit Data  
Line 11 - Medical Malpractice

Exhibit 5c

	IEE, Calendar Year						Illinois Selected
	2000	2001	2002	2003	2004	2005	
Direct written premium	79,049	129,349	170,441	227,911	192,063	174,870	973,683
Direct earned premium	84,852	101,210	160,977	220,646	191,856	180,752	940,293
Commissions and brokerage	5,506	9,396	14,036	14,795	13,645	12,065	69,443
Tax/licenses/fees	1,597	3,248	2,736	3,134	3,345	3,274	17,334
Other acquisition expenses	4,590	6,306	5,908	9,216	8,891	8,096	43,007
General expenses	6,649	9,171	9,019	13,551	12,852	11,665	62,907
Direct incurred loss	47,288	115,346	124,505	189,256	119,911	87,472	683,778
Direct incurred ALAE	21,846	53,315	45,196	61,715	38,353	44,936	265,361
Direct incurred ULAE	6,937	10,106	8,910	10,215	19,552	18,292	74,012
Commissions and brokerage	7.0%	7.3%	8.2%	6.5%	7.1%	6.9%	7.1%
Tax/licenses/fees	2.0%	2.5%	1.6%	1.4%	1.7%	1.9%	1.8%
Other acquisition expenses	5.4%	6.2%	3.7%	4.2%	4.6%	4.5%	4.6%
General expenses	7.8%	9.1%	5.6%	6.1%	6.7%	6.5%	6.7%
ULAE as a % of Loss and ALAE	10.0%	6.0%	5.3%	4.1%	12.4%	13.8%	7.8%
							8.5%
							1.2%
							4.4%
							6.4%
							8.5%

**American Physician Assurance Corporation**  
**Illinois Professional Liability**

Present Value Factor  
 Evaluated as of 9/30/2006

**Exhibit 6a**

	<b>Net Present Value</b>
C/M + Occ + TG	0.816
ULAE *	0.908
Overall	<b>(1)</b>

\* Assumes 50% paid at claim report and 50% paid out according to LALAE payout pattern.

**American Physician Assurance Corporation**  
**Illinois Professional Liability**  
Claims Made Net Present Value Factor

**Exhibit 6b**

Midpoint	Balanced Payout	Discount Factor	Discounted Values
4.5	0.007	0.984	0.007
15	0.065	0.946	0.061
27	0.123	0.905	0.111
39	0.181	0.866	0.156
51	0.145	0.829	0.120
63	0.165	0.793	0.131
75	0.158	0.759	0.120
87	0.079	0.726	0.057
99	0.039	0.694	0.027
111	0.020	0.664	0.013
123	0.010	0.636	0.006
135	0.005	0.608	0.003
147	0.002	0.582	0.001
159	0.001	0.557	0.001
171	0.001	0.533	0.000
183	0.000	0.510	0.000
195	0.000	0.488	0.000
207	0.000	0.466	0.000
219	0.000	0.446	0.000
231	0.000	0.427	0.000
243	0.000	0.409	0.000
255	0.000	0.391	0.000
267	0.000	0.374	0.000
<b>Total</b>	<b>1.000</b>	<b>LALAE</b>	<b>0.816</b>

Assumes loss payments at the midpoint of the period and a 4.52% discount rate.

# American Physician Assurance Corporation

Michigan Professional Liability

Specialty Group Rate Indication

Evaluated as of 9/30/2006

Exhibit 7a

Proposed Change in Base Rate (420) -13.7%

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
Specialty Group	Inforce Count %	Indicated Raw Rt. Change	Territory 1 IM/3M Weighted Rate	Current Spec Wgtd Rel to 420	Indicated Raw Spec Wgtd Rel to 420	ISMIE Spec Wgtd Rel to 420	APA Raw Indication Credibility	APA NO Change Credibility	APA Indicated Change Credibility	ISMIE Credibility	Z-Wgtd Relativity to Terr 1	Z-Wgtd Change in Relativity	Proposed Spec Wgtd Relativity to 420	Proposed Change in Relativity	Proposed Weighted Rate	Overall Change
Anesthesiology	9.9%	8.1%	48,658	1.11665	1.34500	1.27874	0.527	-	0.527	0.473	1.31366	17.6%	1.25000	11.9%	47,006	-3.4%
Cardiovascular	4.9%	-24.2%	71,834	1.64852	1.39254	1.70243	0.527	-	0.527	0.473	1.53922	-6.6%	1.55000	-6.0%	58,288	-18.9%
Dermatology	2.8%	-69.1%	32,407	0.74370	0.25604	0.82632	0.196	0.304	0.196	0.500	0.68929	-7.3%	0.74370	0.0%	27,967	-13.7%
Emergency	0.1%	394.7%	39,468	0.90575	4.99266	0.77375	0.066	0.434	0.066	0.500	1.10967	22.5%	1.00000	10.4%	37,605	-4.7%
Endocrinology	0.6%	-61.2%	51,741	1.18741	0.51361	1.00399	0.092	0.408	0.092	0.500	1.03381	-12.9%	1.03000	-13.3%	38,733	-25.1%
ENT	0.8%	-47.8%	69,946	1.60518	0.93347	1.69001	0.100	0.400	0.100	0.500	1.58058	-1.5%	1.58000	-1.6%	59,416	-15.1%
FG/P	0.8%	-37.4%	68,293	1.56726	1.09393	1.60309	0.378	0.122	0.378	0.500	1.40603	-10.3%	1.40000	-10.7%	52,647	-22.9%
<b>FG/P 420</b>	<b>16.5%</b>	<b>-10.2%</b>	<b>43,575</b>	<b>1.00000</b>	<b>1.00000</b>	<b>1.00000</b>	<b>0.705</b>	<b>0.705</b>	<b>0.705</b>	<b>0.295</b>	<b>1.00000</b>	<b>0.0%</b>	<b>1.00000</b>	<b>0.0%</b>	<b>37,605</b>	<b>-13.7%</b>
Gastroenterology	1.7%	-40.5%	58,806	1.34954	0.89523	1.44599	0.192	0.308	0.192	0.500	1.31031	-2.9%	1.31000	-2.9%	49,263	-16.2%
Geniatrics	0.0%	-100.0%	58,024	1.33160	-	1.33160	0.001	0.499	0.001	0.500	1.33074	-0.1%	1.33160	0.0%	50,075	-13.7%
Hematology	0.2%	553.4%	38,429	0.88190	6.42016	1.00000	0.019	0.481	0.019	0.500	1.04586	18.6%	1.00000	13.4%	37,605	-2.1%
Infectious	0.2%	-9.8%	69,170	1.58738	1.59498	1.05575	0.231	0.269	0.231	0.500	1.32332	-16.6%	1.45000	-8.7%	54,527	-21.2%
Internal	11.5%	-17.8%	66,282	1.52111	1.39313	1.17278	0.789	-	0.789	0.211	1.34663	-11.5%	1.35000	-11.2%	50,767	-23.4%
Major Surgery	0.5%	-35.5%	161,809	3.71334	2.66856	3.21958	0.201	0.299	0.201	0.500	3.25681	-12.3%	3.25000	-12.5%	122,216	-24.5%
Misc.	4.9%	-36.1%	27,040	0.62053	0.44205	0.55594	0.214	0.286	0.214	0.500	0.55003	-11.4%	0.55000	-11.4%	20,683	-23.5%
Misc. Surgery	2.0%	-33.0%	126,390	2.90052	2.16387	3.06269	0.450	0.050	0.450	0.500	2.64990	-8.6%	2.70000	-6.9%	101,534	-19.7%
Neonatology	1.3%	-2.2%	83,849	1.92425	2.09739	1.93983	0.266	0.234	0.266	0.500	1.97814	2.8%	1.92425	0.0%	72,361	-13.7%
Nephrology	0.4%	-39.0%	36,922	0.84732	0.57556	1.05575	0.037	0.463	0.037	0.500	0.94148	11.1%	0.90000	6.2%	33,845	-8.3%
Neurology	2.2%	-28.6%	60,896	1.39750	1.11139	1.64014	0.344	0.156	0.344	0.500	1.42026	1.6%	1.39750	0.0%	52,553	-13.7%
Obs/Gyn	6.5%	-39.0%	152,713	3.50461	2.38137	3.92963	0.794	-	0.794	0.206	2.70093	-22.9%	3.40000	-3.0%	127,857	-16.3%
Oncology	1.1%	-54.4%	46,455	1.06610	0.54119	1.05167	0.118	0.382	0.118	0.500	0.99669	-6.5%	1.06610	0.0%	40,091	-13.7%
Ophthalmology	1.0%	64.0%	48,905	1.12231	2.05038	0.87769	0.185	0.315	0.185	0.500	1.17187	4.4%	1.20000	6.9%	45,126	-7.7%
Orthopedic	2.0%	-9.8%	148,193	3.40087	3.41849	3.59193	0.505	-	0.565	0.435	3.49391	2.7%	3.40087	0.0%	127,890	-13.7%
Pathology	5.3%	80.5%	30,398	0.69760	1.40261	0.66551	0.234	0.266	0.234	0.500	0.84663	21.4%	0.77000	10.4%	28,956	-4.7%
Pediatrics	4.8%	-14.3%	41,860	0.96064	0.91739	0.77701	0.378	0.122	0.378	0.500	0.85249	-11.3%	0.88000	-8.4%	33,092	-20.9%
Physicians	0.4%	-100.0%	42,763	0.98137	-	1.14828	0.062	0.438	0.062	0.500	1.00399	2.3%	0.98137	0.0%	36,904	-13.7%
Plastic	1.4%	-60.1%	123,171	2.82665	1.25619	3.17418	0.388	0.112	0.388	0.500	2.39065	-15.4%	2.70000	-4.5%	101,534	-17.6%
Psychiatry	9.6%	-52.8%	22,691	0.52073	0.27411	0.66551	0.387	0.113	0.387	0.500	0.49770	-4.4%	0.52073	0.0%	19,582	-13.7%
Pulmonary	2.8%	-2.4%	38,288	0.87866	0.95549	1.30756	0.145	0.355	0.145	0.500	1.10423	25.7%	1.00000	13.8%	37,605	-1.8%
Radiology	2.7%	-12.4%	73,719	1.69177	1.65130	1.63491	0.294	0.206	0.294	0.500	1.65145	-2.4%	1.69177	0.0%	63,619	-13.7%
Urology	1.4%	-21.8%	87,182	2.00073	1.74322	1.66898	0.274	0.226	0.274	0.500	1.76425	-11.8%	1.76000	-12.0%	66,185	-24.1%
<b>Total/Average</b>	<b>100.0%</b>		<b>59,546</b>	<b>1.36652</b>	<b>1.21984</b>	<b>1.39609</b>					<b>1.29301</b>	<b>-5.4%</b>	<b>1.33499</b>	<b>-2.3%</b>	<b>50,202</b>	<b>-15.7%</b>

## NOTE:

- See Exhibit 7b for list of specialties within each group
- Inforce Exposure Distribution (See Exh 7b, Col 4, Group Subtotal)
- Indicated Weighted Rate Change - Raw (without credibility)
- Exposure Weighted Rate (See Exh. 7b, Col 7)
- Group Relativity to Fam/Gen 420
- Indicated Raw Relativity,  $(5) \times \{1.0 + (3)\} / \{(1.0 + (3)) \times \text{Fam/Gen 420}\}$
- ISMIE Relativities based on APA distribution
- Raw Credibility =  $\text{Prem} / (\text{Prem} + K)$ ; where  $K = \$20 \text{ M}$
- 3-way credibility - No Change Credibility =  $1.0 - (10) - (11)$
- 3-way credibility - APA Credibility = (8)
- 3-way credibility - ISMIE =  $\text{Min}(1.0 - (8), 0.5)$
- $= (5) \times (9) + (6) \times (10) + (7) \times (11)$
- $= (12) / (5) - 1.0$
- Actual Judgment
- $= (14) / (5) - 1.0$
- Prop Group Rate = Current Fam/Gen 420 Rate  $\times \{1 - 0.137\} \times (14)$
- $= (16) / (4) - 1.0$

## Change by Component

(1)	Base Rate Change	-13.7%
(2)	Change in Relativity	-2.3%
	Change in Specialty	-15.7%
	Change in Territory	2.0%
	Overall Change	-14.0%

# American Physician Assurance Corporation

Exhibit 7b

## Illinois Professional Liability

Claims Made, Mature, Territory 1 Specialty Group Weighted Rate

Evaluated as of 9/30/2006

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Code	Group	Specialty Description	InForce Count (%)	Current Rate 4/1/2005	Current Relativity to 420	Wgt'd Rate [(5) x (4)] / (4 Grp Tot)
151	Anesthesiology	Anesthesiology	7.2%	48,658	1.117	35,558
196	Anesthesiology	Anesthesiology - Pain Management	2.7%	48,658	1.117	13,100
				Weighted Rate		48,658
141	Cardiovascular	Surgery - Cardiac	0.0%	194,808	4.471	-
146	Cardiovascular	Surgery - Vascular	0.1%	185,155	4.249	2,849
150	Cardiovascular	Surgery - Cardiovascular Disease	0.0%	178,035	4.086	-
255	Cardiovascular	Cardiovascular Disease - No Surgery	1.1%	37,941	0.871	8,172
281	Cardiovascular	Cardiovascular Disease - Minor Surgery	3.8%	79,058	1.814	60,814
				Weighted Rate		71,834
256	Dermatology	Dermatology - No Surgery	1.8%	25,271	0.580	16,392
282	Dermatology	Dermatology - Minor Surgery	1.0%	45,581	1.046	16,015
472	Dermatology	Surgery - Dermatology	0.0%	76,979	1.767	-
				Weighted Rate		32,407
102	Emergency	Emergency Medicine - No Major Surgery	0.0%	112,092	2.572	-
157	Emergency	Surgery - Emergency Medicine	0.0%	127,484	2.926	-
424	Emergency	Urgent Care Medicine	0.1%	39,468	0.906	39,468
				Weighted Rate		39,468
103	Endocrinology	Surgery - Endocrinology	0.2%	76,507	1.756	28,690
238	Endocrinology	Endocrinology - No Surgery	0.4%	36,882	0.846	23,051
272	Endocrinology	Endocrinology - Minor Surgery	0.0%	54,504	1.251	-
				Weighted Rate		51,741

# American Physician Assurance Corporation

Exhibit 7b

## Illinois Professional Liability

Claims Made, Mature, Territory 1 Specialty Group Weighted Rate  
Evaluated as of 9/30/2006

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Code	Group	Specialty Description	InForce Count (%)	Current Rate 4/1/2005	Current Relativity to 420	Wgtd Rate [(5)x(4)] / (4 Grp Tot)
106	ENT	Surgery - Laryngology	0.2%	72,480	1.663	14,496
158	ENT	Surgery - Otology	0.1%	81,665	1.874	8,167
159	ENT	Surgery - Otorhinolaryngology	0.5%	74,735	1.715	44,841
160	ENT	Surgery - Rhinology	0.0%	81,665	1.874	-
247	ENT	Rhinology - No Surgery	0.0%	37,879	0.869	-
258	ENT	Laryngology - No Surgery	0.0%	37,879	0.869	-
264	ENT	Otology - No Surgery	0.0%	39,773	0.913	-
265	ENT	Otorhinolaryngology - No Surgery	0.1%	24,422	0.560	2,442
270	ENT	Rhinology - Minor Surgery	0.0%	55,978	1.285	-
285	ENT	Laryngology - Minor Surgery	0.0%	55,978	1.285	-
290	ENT	Otology - Minor Surgery	0.0%	55,978	1.285	-
291	ENT	Otorhinolaryngology - Minor Surgery	0.0%	50,804	1.166	-
<b>Weighted Rate</b>						<b>69,946</b>
117	FG/P	Surgery - Family/General Practice	0.1%	94,795	2.175	8,618
421	FG/P	Family/General Practitioners - Minor Surgery	0.4%	65,127	1.495	29,603
521	FG/P	Family/General Practitioners - Minor Surgery - 0 to 24 del	0.4%	66,159	1.518	30,072
<b>Weighted Rate</b>						<b>68,293</b>
420	FG/P 420	Family/General Practitioners - No Surgery	16.5%	43,575	1.000	43,575
<b>Weighted Rate</b>						<b>43,575</b>
104	Gastroenterology	Surgery - Gastroenterology	0.0%	80,793	1.854	-
241	Gastroenterology	Gastroenterology - No Surgery	0.2%	55,458	1.273	5,042
274	Gastroenterology	Gastroenterology - Minor Surgery	1.5%	59,141	1.357	53,765
<b>Weighted Rate</b>						<b>58,806</b>
105	Geriatrics	Surgery - Geriatrics	0.0%	82,687	1.898	27,562
243	Geriatrics	Geriatrics - No Surgery	0.0%	36,882	0.846	12,294
276	Geriatrics	Geriatrics - Minor Surgery	0.0%	54,504	1.251	18,168
<b>Weighted Rate</b>						<b>58,024</b>

# American Physician Assurance Corporation

Exhibit 7b

## Illinois Professional Liability

Claims Made, Mature, Territory 1 Specialty Group Weighted Rate  
Evaluated as of 9/30/2006

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Code	Group	Specialty Description	InForce Count (%)	Current Rate 4/1/2005	Current Relativity to 420	Wgt'd Rate [(5)x(4)] / (4 Grp Tot)
245	Hematology	Hematology - No Surgery	0.2%	38,429	0.882	38,429
278	Hematology	Hematology - Minor Surgery	0.0%	54,504	1.251	-
<b>Weighted Rate</b>						<b>38,429</b>
246	Infectious	Infectious Diseases - No Surgery	0.2%	69,170	1.587	69,170
279	Infectious	Infectious Diseases - Minor Surgery	0.0%	109,028	2.502	-
<b>Weighted Rate</b>						<b>69,170</b>
257	Internal	Internal Medicine - No Surgery	11.2%	65,887	1.512	64,578
284	Internal	Internal Medicine - Minor Surgery	0.2%	85,779	1.969	1,704
<b>Weighted Rate</b>						<b>66,282</b>
144	Major Surgery	Surgery - Thoracic	0.1%	188,648	4.329	31,441
169	Major Surgery	Surgery - Hand	0.1%	111,148	2.551	18,525
170	Major Surgery	Surgery - Head and Neck	0.1%	136,952	3.143	22,825
171	Major Surgery	Surgery - Traumatic	0.2%	178,035	4.086	89,018
<b>Weighted Rate</b>						<b>161,809</b>

# American Physician Assurance Corporation

## Illinois Professional Liability

Claims Made, Mature, Territory 1 Specialty Group Weighted Rate

Evaluated as of 9/30/2006

Exhibit 7b

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Code	Group	Specialty Description	InForce Count (%)	Current Rate 4/1/2005	Current Relativity to 420	Wgt'd Rate [(5)×(4)] / (4 Grp Tot)
229	Misc.	Addictionology	0.3%	24,456	0.561	1,505
230	Misc.	Aerospace Medicine	0.0%	34,936	0.802	-
231	Misc.	General Preventive Medicine - No Surgery	0.3%	22,971	0.527	1,414
232	Misc.	Hypnosis	0.0%	21,657	0.497	-
233	Misc.	Occupational Medicine	0.5%	29,112	0.668	3,135
234	Misc.	Pharmacology	0.0%	34,936	0.802	-
235	Misc.	Physiatry or Physical Medicine and Rehabilitation	2.0%	25,158	0.577	10,063
236	Misc.	Public Health	0.0%	24,456	0.561	-
237	Misc.	Diabetes - No Surgery	0.0%	37,879	0.869	-
240	Misc.	Forensic or Legal Medicine	0.0%	24,456	0.561	-
248	Misc.	Nutrition	0.1%	21,657	0.497	333
252	Misc.	Rheumatology - No Surgery	0.2%	36,882	0.846	1,702
254	Misc.	Allergy	0.9%	25,014	0.574	4,618
262	Misc.	Nuclear Medicine	0.3%	36,882	0.846	2,270
271	Misc.	Diabetes - Minor Surgery	0.0%	55,978	1.285	-
283	Misc.	Intensive Care Medicine	0.1%	54,504	1.251	839
801	Misc.	Manipulative Medicine	0.2%	25,158	0.577	1,161
				<b>Weighted Rate</b>		<b>27,040</b>
101	Misc. Surgery	Surgery - Broncho-esophagology	0.0%	81,665	1.874	-
115	Misc. Surgery	Surgery - Colon and Rectal	0.0%	107,649	2.470	-
143	Misc. Surgery	Surgery - General - Not Otherwise Classified	2.0%	126,390	2.901	126,390
166	Misc. Surgery	Surgery - Abdominal	0.0%	136,111	3.124	-
				<b>Weighted Rate</b>		<b>126,390</b>
471	Neonatology	Neonatology - No Surgery	1.3%	83,849	1.924	83,849
474	Neonatology	Surgery - Neonatology or Pediatrics	0.0%	136,111	3.124	-
476	Neonatology	Neonatology - Minor Surgery	0.0%	104,813	2.405	-
				<b>Weighted Rate</b>		<b>83,849</b>

# American Physician Assurance Corporation

## Exhibit 7b

### Illinois Professional Liability

Claims Made, Mature, Territory 1 Specialty Group Weighted Rate  
Evaluated as of 9/30/2006

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Code	Group	Specialty Description	InForce Count (%)	Current Rate 4/1/2005	Current Relativity to 420	Wgt'd Rate [(5)x(4)] / (4 Grp Ttl)
108	Nephrology	Surgery - Nephrology	0.0%	71,456	1.640	-
260	Nephrology	Nephrology - No Surgery	0.4%	36,922	0.847	36,922
287	Nephrology	Nephrology - Minor Surgery	0.0%	54,564	1.252	-
<b>Weighted Rate</b>						<b>36,922</b>
152	Neurology	Surgery - Neurology	0.1%	297,109	6.818	10,245
261	Neurology	Neurology - No Surgery	2.1%	52,460	1.204	50,651
288	Neurology	Neurology - Minor Surgery	0.0%	62,284	1.429	-
<b>Weighted Rate</b>						<b>60,896</b>
153	Obs/Gyn	Surgery - Obstetrics - Gynecology	0.0%	188,441	4.325	-
167	Obs/Gyn	Surgery - Gynecology	0.7%	104,831	2.406	11,100
168	Obs/Gyn	Surgery - Obstetrics	0.0%	188,441	4.325	-
244	Obs/Gyn	Gynecology - No Surgery	0.1%	32,489	0.746	382
277	Obs/Gyn	Gynecology - Minor Surgery	0.2%	52,092	1.195	1,839
560	Obs/Gyn	Surgery - Obstetrics - Gynecology - 0 to 49 deliveries	0.9%	150,762	3.460	21,284
561	Obs/Gyn	- 50 to 69 deliveries	1.1%	155,464	3.568	27,435
562	Obs/Gyn	- 70 to 89 deliveries	1.0%	160,174	3.676	24,497
563	Obs/Gyn	- 90 to 109 deliveries	1.5%	169,598	3.892	39,905
564	Obs/Gyn	- 110 to 129 deliveries	0.5%	179,023	4.108	14,743
565	Obs/Gyn	- 130 to 149 deliveries	0.2%	188,441	4.325	6,651
566	Obs/Gyn	- 150 to 169 deliveries	0.2%	207,286	4.757	4,877
567	Obs/Gyn	- 170 to 189 deliveries	0.0%	226,131	5.189	-
568	Obs/Gyn	- 190 to 209 deliveries	0.0%	244,973	5.622	-
569	Obs/Gyn	- 210 to 229 deliveries	0.0%	263,820	6.054	-
570	Obs/Gyn	- 230 to 249 deliveries	0.0%	282,661	6.487	-
571	Obs/Gyn	- 250 to 269 deliveries	0.0%	301,506	6.919	-
572	Obs/Gyn	- 270 to 289 deliveries	0.0%	320,353	7.352	-
573	Obs/Gyn	- 290 or more deliveries	0.0%	339,194	7.784	-
<b>Weighted Rate</b>						<b>152,713</b>

# American Physician Assurance Corporation

## Illinois Professional Liability

Claims Made, Mature, Territory 1 Specialty Group Weighted Rate

Evaluated as of 9/30/2006

Exhibit 7b

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Code	Group	Specialty Description	InForce Count (%)	Current Rate 4/1/2005	Current Relativity to 420	Wgtd Rate [(5)x(4)] / (4 Grp Tot)
107	Oncology	Surgery - Neoplastic	0.0%	71,456	1.640	-
259	Oncology	Neoplastic Diseases - No Surgery	0.0%	44,260	1.016	-
286	Oncology	Oncology - Minor Surgery	0.2%	54,504	1.251	11,679
473	Oncology	Oncology - No Surgery	0.8%	44,260	1.016	34,776
				<b>Weighted Rate</b>		<b>46,455</b>
114	Ophthalmology	Surgery - Ophthalmology	0.6%	59,240	1.359	36,455
263	Ophthalmology	Ophthalmology - No Surgery	0.2%	30,767	0.706	4,733
289	Ophthalmology	Ophthalmology - Minor Surgery	0.2%	33,435	0.767	7,716
				<b>Weighted Rate</b>		<b>48,905</b>
154	Orthopedic	Surgery - orthopedic	0.2%	195,736	4.492	15,057
164	Orthopedic	Surgery - orthopedic—without procedures on the back	1.8%	144,231	3.310	133,136
				<b>Weighted Rate</b>		<b>148,193</b>
266	Pathology	Pathology - No Surgery	5.3%	30,398	0.698	30,398
292	Pathology	Pathology - Minor Surgery	0.0%	53,137	1.219	-
				<b>Weighted Rate</b>		<b>30,398</b>
267	Pediatrics	Pediatrics - No Surgery	4.8%	41,860	0.961	41,860
293	Pediatrics	Pediatrics - Minor Surgery	0.0%	62,307	1.430	-
				<b>Weighted Rate</b>		<b>41,860</b>
268	Physicians	Physicians - not otherwise classified - no surgery	0.2%	34,936	0.802	20,962
294	Physicians	Physicians - not otherwise classified - minor surgery	0.0%	54,504	1.251	-
431	Physicians	Physicians - No Major Surgery - shock therapy	0.0%	59,398	1.363	-
437	Physicians	Physicians - No Major Surgery - acupuncture	0.2%	54,504	1.251	21,802
802	Physicians	Physicians - No Major Surgery - Sclerotherapy	0.0%	59,398	1.363	-
				<b>Weighted Rate</b>		<b>42,763</b>

# American Physician Assurance Corporation

## Illinois Professional Liability

Claims Made, Mature, Territory 1 Specialty Group Weighted Rate

Evaluated as of 9/30/2006

Exhibit 7b

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Code	Group	Specialty Description	InForce Count (%)	Current Rate 4/1/2005	Current Relativity to 420	Wgtd Rate [(5)x(4)] / (4 Grp Totl)
155	Plastic	Surgery - Plastic - Otorhinolaryngology	0.1%	116,965	2.684	6,156
156	Plastic	Surgery - Plastic - Not Otherwise Classified	1.4%	123,516	2.835	117,015
804	Plastic	Surgery - Ophthalmology - Plastic	0.0%	86,767	1.991	-
<b>Weighted Rate</b>						<b>123,171</b>
249	Psychiatry	Psychiatry	9.6%	22,691	0.521	22,691
250	Psychiatry	Psychoanalysis	0.0%	21,205	0.487	-
251	Psychiatry	Psychosomatic Medicine	0.0%	17,119	0.393	-
<b>Weighted Rate</b>						<b>22,691</b>
269	Pulmonary	Pulmonary Diseases - No Surgery	2.7%	36,882	0.846	34,888
298	Pulmonary	Pulmonary Diseases - Minor Surgery	0.2%	62,890	1.443	3,399
<b>Weighted Rate</b>						<b>38,288</b>
253	Radiology	Radiology - diagnostic - No Surgery	1.0%	55,292	1.269	19,967
280	Radiology	Radiology - diagnostic - Minor Surgery	1.7%	84,134	1.931	53,752
425	Radiology	Radiology - Therapeutic	0.0%	62,502	1.434	-
<b>Weighted Rate</b>						<b>73,719</b>
145	Urology	Surgery - Urological	1.4%	87,182	2.001	87,182
<b>Weighted Rate</b>						<b>87,182</b>
<b>Total</b>			<b>100.0%</b>			

### Note:

- (1) Specialty Code
- (2) Specialty Group
- (3) Specialty Description
- (4) In-Force Count Distribution as Percentage
- (5) Current Rates Effective 4/1/2005
- (6) Current Specialty Relativity to Spec. 420-Fam/Gen Pract.-No Surg.
- (7) Weighted Rate - groups without exposure use a straight rate average

# American Physician Assurance Corporation

## Illinois Professional Liability

Claims Made, Mature, Territory 1 Specialty Rates  
Evaluated as of 9/30/2006

## Exhibit 8

Code	Specialty Definition	InForce Cnt (%)	Current Rates 4/1/2005	Current Rates 3/1/2007	Percent Change
151	Anesthesiology	7.2%	48,658	47,006	-3.4%
196	Anesthesiology - Pain Management	2.7%	48,658	47,006	-3.4%
141	Surgery - Cardiac	0.0%	194,808	158,071	-18.9%
146	Surgery - Vascular	0.1%	185,155	150,238	-18.9%
150	Surgery - Cardiovascular Disease	0.0%	178,035	144,461	-18.9%
255	Cardiovascular Disease - No Surgery	1.1%	37,941	30,786	-18.9%
281	Cardiovascular Disease - Minor Surgery	3.8%	79,058	64,149	-18.9%
256	Dermatology - No Surgery	1.8%	25,271	21,809	-13.7%
282	Dermatology - Minor Surgery	1.0%	45,581	39,336	-13.7%
472	Surgery - Dermatology	0.0%	76,979	66,433	-13.7%
102	Emergency Medicine - No Major Surgery	0.0%	112,092	106,801	-4.7%
157	Surgery - Emergency Medicine	0.0%	127,484	121,466	-4.7%
424	Urgent Care Medicine	0.1%	39,468	37,605	-4.7%
103	Surgery - Endocrinology	0.2%	76,507	57,272	-25.1%
238	Endocrinology - No Surgery	0.4%	36,882	27,610	-25.1%
272	Endocrinology - Minor Surgery	0.0%	54,504	40,801	-25.1%
106	Surgery - Laryngology	0.2%	72,480	61,569	-15.1%
158	Surgery - Otolaryngology	0.1%	81,665	69,371	-15.1%
159	Surgery - Otorhinolaryngology	0.5%	74,735	63,484	-15.1%
160	Surgery - Rhinology	0.0%	81,665	69,371	-15.1%
247	Rhinology - No Surgery	0.0%	37,879	32,176	-15.1%
258	Laryngology - No Surgery	0.0%	37,879	32,176	-15.1%
264	Otology - No Surgery	0.0%	39,773	33,785	-15.1%
265	Otorhinolaryngology - No Surgery	0.1%	24,422	20,746	-15.1%
270	Rhinology - Minor Surgery	0.0%	55,978	47,551	-15.1%
285	Laryngology - Minor Surgery	0.0%	55,978	47,551	-15.1%
290	Otology - Minor Surgery	0.0%	55,978	47,551	-15.1%
291	Otorhinolaryngology - Minor Surgery	0.0%	50,804	43,156	-15.1%
117	Surgery - Family/General Practice	0.1%	94,795	73,077	-22.9%
421	Family/General Practitioners - Minor Surgery	0.4%	65,127	50,206	-22.9%
521	Family/General Practitioners - Minor Surgery - 0 to 24 deliveries	0.4%	66,159	51,002	-22.9%
420	Family/General Practitioners - No Surgery	16.5%	43,575	37,605	-13.7%
104	Surgery - Gastroenterology	0.0%	80,793	67,681	-16.2%
241	Gastroenterology - No Surgery	0.2%	55,458	46,458	-16.2%
274	Gastroenterology - Minor Surgery	1.5%	59,141	49,543	-16.2%

**American Physician Assurance Corporation**  
**Illinois Professional Liability**  
Claims Made, Mature, Territory 1 Specialty Rates  
Evaluated as of 9/30/2006

**Exhibit 8**

<b>Code</b>	<b>Specialty Definition</b>	<b>InForce Cnt (%)</b>	<b>Current Rates 4/1/2005</b>	<b>Current Rates 3/1/2007</b>	<b>Percent Change</b>
105	Surgery - Geriatrics	0.0%	82,687	71,358	-13.7%
243	Geriatrics - No Surgery	0.0%	36,882	31,829	-13.7%
276	Geriatrics - Minor Surgery	0.0%	54,504	47,037	-13.7%
245	Hematology - No Surgery	0.2%	38,429	37,605	-2.1%
278	Hematology - Minor Surgery	0.0%	54,504	53,336	-2.1%
246	Infectious Diseases - No Surgery	0.2%	69,170	54,527	-21.2%
279	Infectious Diseases - Minor Surgery	0.0%	109,028	85,948	-21.2%
257	Internal Medicine - No Surgery	11.2%	65,887	50,464	-23.4%
284	Internal Medicine - Minor Surgery	0.2%	85,779	65,700	-23.4%
144	Surgery - Thoracic	0.1%	188,648	142,488	-24.5%
169	Surgery - Hand	0.1%	111,148	83,952	-24.5%
170	Surgery - Head and Neck	0.1%	136,952	103,442	-24.5%
171	Surgery - Traumatic	0.2%	178,035	134,472	-24.5%
229	Addictionology	0.3%	24,456	18,707	-23.5%
230	Aerospace Medicine	0.0%	34,936	26,722	-23.5%
231	General Preventive Medicine - No Surgery	0.3%	22,971	17,571	-23.5%
232	Hypnosis	0.0%	21,657	16,566	-23.5%
233	Occupational Medicine	0.5%	29,112	22,268	-23.5%
234	Pharmacology	0.0%	34,936	26,722	-23.5%
235	Physiatry or Physical Medicine and Rehabilitation	2.0%	25,158	19,244	-23.5%
236	Public Health	0.0%	24,456	18,707	-23.5%
237	Diabetes - No Surgery	0.0%	37,879	28,974	-23.5%
240	Forensic or Legal Medicine	0.0%	24,456	18,707	-23.5%
248	Nutrition	0.1%	21,657	16,566	-23.5%
252	Rheumatology - No Surgery	0.2%	36,882	28,211	-23.5%
254	Allergy	0.9%	25,014	19,133	-23.5%
262	Nuclear Medicine	0.3%	36,882	28,211	-23.5%
271	Diabetes - Minor Surgery	0.0%	55,978	42,818	-23.5%
283	Intensive Care Medicine	0.1%	54,504	41,690	-23.5%
801	Manipulative Medicine	0.2%	25,158	19,244	-23.5%
101	Surgery - Broncho-esophagology	0.0%	81,665	65,605	-19.7%
115	Surgery - Colon and Rectal	0.0%	107,649	86,478	-19.7%
143	Surgery - General - Not Otherwise Classified	2.0%	126,390	101,534	-19.7%
166	Surgery - Abdominal	0.0%	136,111	109,343	-19.7%
471	Neonatology - No Surgery	1.3%	83,849	72,361	-13.7%

**American Physician Assurance Corporation**  
**Illinois Professional Liability**  
Claims Made, Mature, Territory 1 Specialty Rates  
Evaluated as of 9/30/2006

**Exhibit 8**

Code	Specialty Definition	InForce Cnt (%)	Current Rates 4/1/2005	Current Rates 3/1/2007	Percent Change
474	Surgery - Neonatology or Pediatrics	0.0%	136,111	117,463	-13.7%
476	Neonatology - Minor Surgery	0.0%	104,813	90,453	-13.7%
108	Surgery - Nephrology	0.0%	71,456	65,500	-8.3%
260	Nephrology - No Surgery	0.4%	36,922	33,845	-8.3%
287	Nephrology - Minor Surgery	0.0%	54,564	50,016	-8.3%
152	Surgery - Neurology	0.1%	297,109	256,404	-13.7%
261	Neurology - No Surgery	2.1%	52,460	45,273	-13.7%
288	Neurology - Minor Surgery	0.0%	62,284	53,751	-13.7%
153	Surgery - Obstetrics - Gynecology	0.0%	188,441	157,770	-16.3%
167	Surgery - Gynecology	0.7%	104,831	87,768	-16.3%
168	Surgery - Obstetrics	0.0%	188,441	157,770	-16.3%
244	Gynecology - No Surgery	0.1%	32,489	27,201	-16.3%
277	Gynecology - Minor Surgery	0.2%	52,092	43,614	-16.3%
560	Surgery - Obstetrics - Gynecology - 0 to 49 deliveries	0.9%	150,762	126,223	-16.3%
561	- 50 to 69 deliveries	1.1%	155,464	130,160	-16.3%
562	- 70 to 89 deliveries	1.0%	160,174	134,103	-16.3%
563	- 90 to 109 deliveries	1.5%	169,598	141,993	-16.3%
564	- 110 to 129 deliveries	0.5%	179,023	149,885	-16.3%
565	- 130 to 149 deliveries	0.2%	188,441	157,770	-16.3%
566	- 150 to 169 deliveries	0.2%	207,286	173,547	-16.3%
567	- 170 to 189 deliveries	0.0%	226,131	189,325	-16.3%
568	- 190 to 209 deliveries	0.0%	244,973	205,100	-16.3%
569	- 210 to 229 deliveries	0.0%	263,820	220,880	-16.3%
570	- 230 to 249 deliveries	0.0%	282,661	236,654	-16.3%
571	- 250 to 269 deliveries	0.0%	301,506	252,431	-16.3%
572	- 270 to 289 deliveries	0.0%	320,353	268,211	-16.3%
573	- 290 or more deliveries	0.0%	339,194	283,985	-16.3%
107	Surgery - Neoplastic	0.0%	71,456	61,666	-13.7%
259	Neoplastic Diseases - No Surgery	0.0%	44,260	38,196	-13.7%
286	Oncology - Minor Surgery	0.2%	54,504	47,037	-13.7%
473	Oncology - No Surgery	0.8%	44,260	38,196	-13.7%
114	Surgery - Ophthalmology	0.6%	59,240	54,663	-7.7%
263	Ophthalmology - No Surgery	0.2%	30,767	28,390	-7.7%
289	Ophthalmology - Minor Surgery	0.2%	33,435	30,852	-7.7%
154	Surgery - orthopedic	0.2%	195,736	168,919	-13.7%

# American Physician Assurance Corporation

## Illinois Professional Liability

Claims Made, Mature, Territory 1 Specialty Rates

Evaluated as of 9/30/2006

## Exhibit 8

Code	Specialty Definition	InForce Cnt (%)	Current Rates 4/1/2005	Current Rates 3/1/2007	Percent Change
164	Surgery - orthopedic—without procedures on the back	1.8%	144,231	124,471	-13.7%
266	Pathology - No Surgery	5.3%	30,398	28,956	-4.7%
292	Pathology - Minor Surgery	0.0%	53,137	50,616	-4.7%
267	Pediatrics - No Surgery	4.8%	41,860	33,092	-20.9%
293	Pediatrics - Minor Surgery	0.0%	62,307	49,257	-20.9%
268	Physicians - not otherwise classified - no surgery	0.2%	34,936	30,149	-13.7%
294	Physicians - not otherwise classified - minor surgery	0.0%	54,504	47,037	-13.7%
431	Physicians - No Major Surgery - shock therapy	0.0%	59,398	51,260	-13.7%
437	Physicians - No Major Surgery - acupuncture	0.2%	54,504	47,037	-13.7%
802	Physicians - No Major Surgery - Sclerotherapy	0.0%	59,398	51,260	-13.7%
155	Surgery - Plastic - Otorhinolaryngology	0.1%	116,965	96,417	-17.6%
156	Surgery - Plastic - Not Otherwise Classified	1.4%	123,516	101,818	-17.6%
804	Surgery - Ophthalmology - Plastic	0.0%	86,767	71,524	-17.6%
249	Psychiatry	9.6%	22,691	19,582	-13.7%
250	Psychoanalysis	0.0%	21,205	18,300	-13.7%
251	Psychosomatic Medicine	0.0%	17,119	14,774	-13.7%
269	Pulmonary Diseases - No Surgery	2.7%	36,882	36,224	-1.8%
298	Pulmonary Diseases - Minor Surgery	0.2%	62,890	61,768	-1.8%
253	Radiology - diagnostic - No Surgery	1.0%	55,292	47,717	-13.7%
280	Radiology - diagnostic - Minor Surgery	1.7%	84,134	72,607	-13.7%
425	Radiology - Therapeutic	0.0%	62,502	53,939	-13.7%
145	Surgery - Urological	1.4%	87,182	66,185	-24.1%
<b>Total / Average</b>		<b>100.0%</b>	<b>59,546</b>	<b>50,202</b>	<b>-15.7%</b>
Overall Base Rate and Specialty Change					-15.7% (1)
Family/General Practitioners - No Surgery					-13.7% (2)
Overall Base Rate and Specialty Change					-2.3% (3)

**American Physician Assurance Corporation**  
**Michigan Professional Liability**  
Territory/County Rate Indication  
Evaluated as of 9/30/2006

Exhibit 9

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Current Territory	Prop Territory	Inforce Count %	Indicated Raw Territory Rt. Change	Current Relative to Terr 1	Indicated Raw Relative to Terr 1	ISMIE Relative to Terr 1	APA Raw Indication Credibility	APA NO Change Credibility	APA Indicated Change Credibility	ISMIE Credibility	Z-Wgtd Relative to Terr 1	Proposed Relative to Terr 1	Proposed Change in Relativity
1	1	51.6%	-14.3%	1.00000	1.00000	1.00000	0.930	-	0.930	0.070	1.00000	1.00000	0.0%
2	2	10.1%	-29.4%	0.82000	0.67559	0.98624	0.635	-	0.635	0.365	0.78907	0.87000	6.1%
3	3	25.0%	-15.9%	0.77000	0.75513	0.81650	0.813	-	0.813	0.187	0.76660	0.80000	3.9%
5	5	2.0%	5.5%	0.66000	0.81274	0.74193	0.397	0.103	0.397	0.500	0.76161	0.72000	9.1%
4	4	2.7%	-64.4%	0.61000	0.25355	0.70723	0.359	0.141	0.359	0.500	0.53081	0.63000	3.3%
6	6	8.1%	2.5%	0.50000	0.59811	0.52928	0.694	-	0.694	0.306	0.57706	0.54000	8.0%
6	7	0.5%	-45.6%	0.50000	0.31728	0.47900	0.068	0.432	0.068	0.500	0.47705	0.48000	-4.0%
<b>Total/Ave.</b>		<b>100.0%</b>		<b>0.86407</b>	<b>0.84622</b>	<b>0.89902</b>					<b>0.86610</b>	<b>0.88150</b>	<b>2.0%</b>

**NOTE:**

- (1) Current Territory
- (2) Proposed Territory (New Territory 7 - Peoria County)
- (3) Inforce Exposure Distribution
- (4) Indicated Rate Change - Raw (without credibility)
- (5) Current Territorial Relativity
- (6) Indicated Raw Relativity,  $(5) \times \{1.0 + (4)\} / \{(1.0 + (4); \text{Territory 1})\}$
- (7) ISMIE Relativities based on APA distribution
- (8) Raw Credibility =  $\text{Prem} / (\text{Prem} + K)$ ; where  $K = \$20 \text{ M}$
- (9) 3-way credibility - No Change Credibility =  $1.0 - (10) - (11)$
- (10) 3-way credibility - APA Credibility = (8)
- (11) 3-way credibility - ISMIE =  $\text{Min}(1.0 - (8), 0.5)$
- (12) =  $(5) * (9) + (6) * (10) + (7) * (11)$
- (13) Actuarial Judgment
- (14) =  $(13) / (5) - 1.0$

# American Physician Assurance Corporation      Exhibit 10

## Illinois Professional Liability

Professional Corporation Charge Impact

Evaluated as of 9/30/2006

Group Size (No of Insureds)	Distribution %	Current PC Factor	Proposed PC Factor	Impact
2 to 5	89%	1.15	1.15	0.0%
6 to 9	8%	1.15	1.12	-2.6%
10 to 19	3%	1.15	1.09	-5.2%
20 or more	0%	1.15	1.07	-7.0%
			<b>Total</b>	<b>-0.4%</b>
<b>Prof Corp Charge / Total Premium</b>				<b>5.4%</b>
<b>Overall Impact</b>				<b>0.0%</b>

**American Physician Assurance Corporation**  
**Illinois Professional Liability**  
Profit Provision

**Exhibit 11**

A	Premium to Surplus Ratio	0.8
B	After tax investment income (% of surplus)	9.80%
C	Tax rate on underwriting income	35.0%
D	After tax return on equity	15.0%
E	Pre-tax underwriting profit provision	10.0%

**Note:**

The underwriting profit provision is the result of a number of assumptions regarding prevailing interest rates, underwriting leverage (premium/surplus), underwriting expenses, the percentage of unearned premium and surplus available to support underwriting operations, and federal income taxes on underwriting and investment income. The proposed profit provision was derived assuming an after-tax 15% return on equity and the return model and assumptions shown above.

# American Physician Assurance Corporation

## Illinois Professional Liability

Development of Current Rate Level Factors and On-Level Earned Premium

Exhibit 12

Rate Change History			On-Level Factors				Adjustment to Manual Rate (5)	Estimated On-Level Earned Premium [(3)x(4)/(5)] (6)	Estimated On-Level Current Discount Earned Premium [(6) x 0.825] (7)
Date	Rate Change	Cumulative Rate Level Factor	Calendar Year	Rate History (1)	Extension of Exposure (2)	SELECT (3)			
5/24/1995	Base	1.000							
10/1/1997	-8.8%	1.096							
10/1/1999	5.0%	1.044	1999	3.554	3.541	3.541	12,051	47,114	38,869
10/1/2000	4.6%	0.998	2000	3.433	3.500	3.500	14,491	57,204	47,193
10/1/2001	12.5%	0.887	2001	3.272	3.209	3.209	18,260	66,002	54,451
4/1/2002	15.0%	0.772	2002	2.861	2.654	2.654	28,387	83,622	68,988
10/1/2002	24.1%	0.622	2003	2.037	1.873	1.873	42,344	85,111	70,217
4/1/2003	30.0%	0.478	2004	1.437	1.387	1.387	51,509	77,521	63,955
4/1/2004	42.5%	0.336	2005	1.080	1.070	1.070	51,650	61,939	51,100
4/1/2005	9.0%	0.308							

### Note:

- (1) Based on parallelogram method and rate history
- (2) Based on extension of exposure method
- (3) Actuarial Judgment
- (4) Policy earned premium limited to \$1,000,000, exclude tail policies
- (5) Factor to adjust for average credits
- (6) [(3)x(4)/(5)]
- (7) Assumes a 0.825 prospective credit factor for policies to be written 3/1/07 to 2/28/08